



New Urban Areas: A Transit Guidance Brief

DETAILS

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Research Results Digest 384

NEW URBAN AREAS: A TRANSIT GUIDANCE BRIEF

This digest presents the results of NCHRP Project 20-65, Task 45. The digest primarily addresses issues likely to be encountered in starting transit service or making the transition to providing urban transit service. However, the information contained in this document may be of use to others, including urban areas that were merged with one or more neighboring urban areas and regions that are expecting to grow over the next decade and become urban areas after the 2020 Census. The research was conducted by Alexander Bond with assistance from Martin Minkoff, Lindsay Martin, and Antonio Santalucia, all of ICF International.

SUMMARY

After each decennial census, a list of urban areas is published. Urban areas are densely populated areas with more than 50,000 persons. When a region becomes an urban area, it becomes eligible for new types of federal transportation funding. The most important federal funding program—and the largest change driver—is the Section 5307 Urbanized Area Formula Grants. As funding increases, oversight and regulatory requirements associated with urban transit service can become complex. This digest offers a variety of resources—along with original research—for newly constituted urban areas that will be offering transit service for the first time, or converting from rural to urban fixed-route service.

The digest begins with an overview of the Census, a definition of urban areas, and definitions of transit administration. The digest continues with an overview of federal transit policy. In this section, federal transit funding programs are analyzed for their applicability to small urban areas, including Section 5307 Urbanized Area Formula Grants, Section 5310 Enhanced Mobility for Seniors and Individuals with

Disabilities, Section 5303/5305 Metropolitan Transit Planning, Section 5311 Formula Grants for Rural Areas, and Section 5340 Small Transit Intensive Cities Program.

Funding programs are only one part of the administrative challenges faced by new urban area transit operators. The digest also discusses the governance structures required to receive federal funding. Most new requirements are enforced during the triennial review. The Federal Transit Administration conducts triennial reviews with all urban transit providers receiving federal grants to evaluate compliance with 24 specific subject areas. The digest goes into detail on meeting the requirements of most of the triennial review areas.

Several key steps to starting a new urban transit operation are discussed, and a Checklist of Suggested Start-up Steps for new urban transit operators is included. The checklist brings together requirements related to agency administration and the triennial review areas, and also provides an expected timeline for addressing each step. A similar checklist is provided in Appendix C for transit operators that are converting from rural to urban service.

CONTENTS

Summary, 1
Introduction, 2
The Census and Urban Areas, 2
The Federal Transit Policy Context, 4
Federal Transit Funding Programs for Urban Areas, 5
Federal Requirements Resulting from Acceptance of Urban Transit Funding, 9
Starting Up or Expanding a Transit Operating Agency—Key Issue Areas, 14
Checklist of Suggested Start-up Steps to Address Federal Requirements for New Urban Area Transit Operators, 17
Case Studies, 22
Case Study #1: Shore Transit, 22
Case Study #2: Mountain Line, 24
Case Study #3: JEFFTRAN, 27
Conclusion, 29
Appendix A, 29
Appendix B, 31
Appendix C, 32

A series of three case studies are included in this digest. These case studies examine the start-up of urban transit service, funding issues, and administrative and organizational challenges. All case study subjects began offering urban service after the 2000 Census. Case studies include:

- Shore Transit (Salisbury, Maryland), an operator owned by a regional entity.
- Mountain Line (Flagstaff, Arizona), an operator chartered by state statute and formed by interlocal agreement.
- JEFFTRAN (Jefferson City, Missouri), a municipally owned operator.

Federal requirements are always evolving. It is critical to stay current, to ensure that localities and agencies meet or exceed expectations. It is strongly advised to become as well-informed as possible, as early as feasible, to preclude missed funding opportunities *and* avoid costly mistakes that could jeopardize the continuance of that funding.

INTRODUCTION

After every decennial U.S. census, new regions are identified as urban areas (often abbreviated UAs). Becoming an urban area has profound impacts on the delivery of public transportation services in the region. With this designation comes eligibility for new streams of federal transit funding. While accepting this federal assistance brings significant increases in funding, it also commits the state and transit operators to fulfill many new obligations, requiring significant organizational and structural capacity on the part of public transit provider(s) in the region, as well as the applicable state department of transportation (DOT). Some agencies will be shifting from operating rural transit to urban transit. Other agencies will be created to offer transit services for the first time.

Few resources are available to assist with this transition to providing urban transit services. This digest is intended to answer many of the questions that newly formed urban areas (or those rural areas anticipating future designation as urban areas) may have regarding the development of new urban transit services and operation of an urban transit agency. This guidance brief was conceived by the AASHTO Standing Committee on Public Transportation (SCOPT) and funded through NCHRP.

This digest discusses financial, administrative, planning, and operational issues for new small urban transit providers. It is intended to address issues

likely to be encountered by transit operators as they transition to providing urban transit service or start transit service for the first time. The digest is primarily targeted at transit operators in the 36 urban areas created as a result of the 2010 Census. However, the information contained in this document may be of use to others, including:

- Urban areas that were merged with one or more neighboring urban areas.
- Urban areas that are offering new types of transit service (demand-response, fixed-route, rural), regardless of whether they were designated as “UAs” in the 2010 Census.
- Regions that are considering changes to the administrative structure of the transit operator in their region.
- Regions that expect to grow over the next decade and become urban areas after the 2020 Census.

THE CENSUS AND URBAN AREAS

Every 10 years, the United States Bureau of the Census (Census Bureau) collects information on the geography and demographics of the American populace. This information documents how the nation has evolved over the previous decade. The Census Bureau collects limited demographic information from every person, along with the location of residence.¹ After each decennial census, the Census Bureau analyzes the data collected and categorizes the nation into defined geographic boundaries based on population levels and distribution.

The most commonly recognized census geography is the metropolitan statistical area (MSA),² but for transportation purposes the most important geography is the urban area (UA).³ An urban area is

¹Through a smaller sampling program—the American Community Survey—a deeper set of demographic information is generated on a rolling basis. Examples of demographic information include race, income, transportation, and housing characteristics.

²Metropolitan statistical areas (MSAs) are based on commuting patterns and economic interdependence. MSAs are coterminous with counties (or townships). Although useful for reporting broad trends, MSAs contain substantial amounts of rural land area and are less useful for transportation planning and administration.

³Some sources use the term urbanized area (UZA). UZA has a specific meaning within metropolitan transportation planning, where it describes the area required to be included in MPO transportation plans. In the context of this project, the urbanized area and urban area in one region are virtually the same.

composed of adjacent census tracts and groups that have a high population density and a total population greater than 50,000 persons. Urban areas are defined by automated computer programs based on the following criteria:

1. A central core is assembled of adjacent census tracts that have a population density of at least 2,500 persons.
2. All adjoining tracts and block groups that have a population density of 500 people or more are added to the urban area, provided that the total population density does not drop below 1,000 people per square mile.
3. Tracts and block groups that have more than $\frac{1}{3}$ impervious surface but insufficient population density are included in the urban area (e.g., an office park, shopping mall, etc.).
4. Brief “jumps” over water and uninhabited areas (parks, wetland) are permitted.

5. Exceptions are made for airports, seaports, and topographical anomalies. All exception areas are included in the urban area boundary.

Exhibit 1 shows census tracts and blocks that form a hypothetical urban area. The areas shown in red form a central core with a population density of over 2,500 persons per square mile. Census tracts and blocks adjacent to the central core with a population density of at least 500 people per square mile are shown in yellow and light green. The urban area boundary is shown in black. Land area is included until the total population density in the urban area drops below 1,000.

Exhibit 2 shows all of the urban areas in the United States as of the 2010 Census. The 2010 Census identified 497 urban areas in the United States, 36 of which were new urban areas. Existing urban area boundaries were also altered based on the urban area criteria. The populations of four urban areas

Exhibit 1 Census blocks forming an urban area.

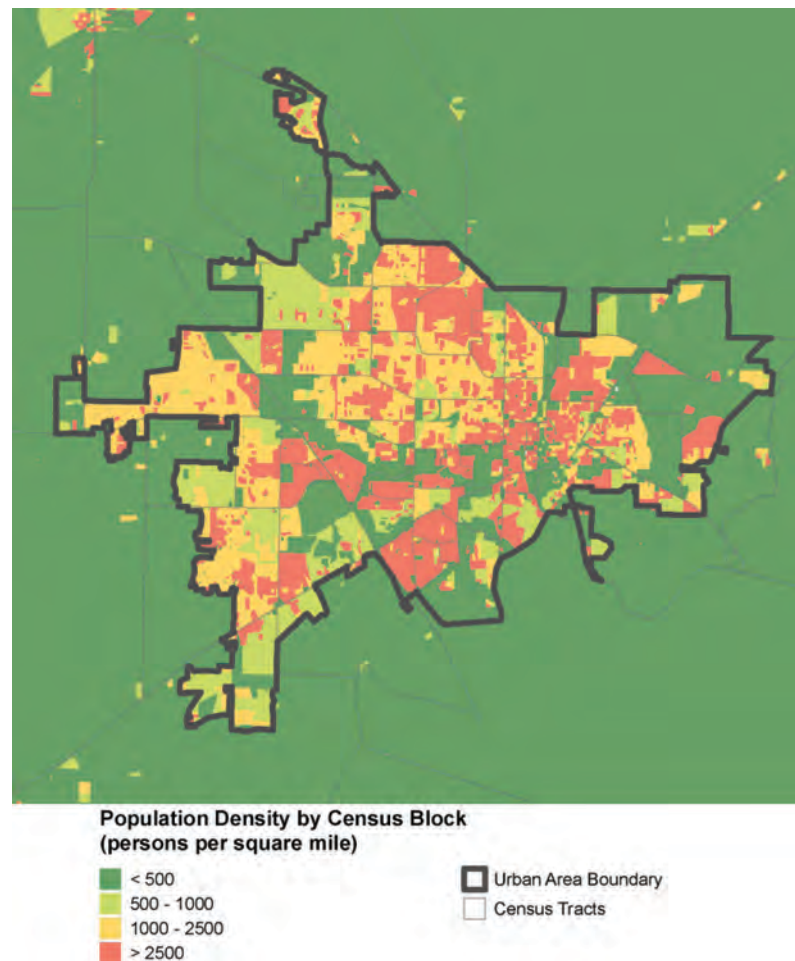
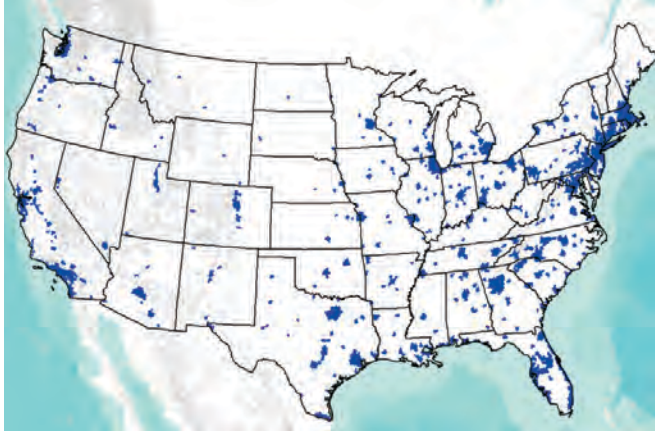


Exhibit 2 Map of urban areas in the continental United States.



fell below 50,000 persons, and as a result they were removed from the urban area list. A list of new urban areas is shown in Appendix B.

THE FEDERAL TRANSIT POLICY CONTEXT

The federal government uses information from the decennial census to apportion funding through *formulas*. Formula programs are funding streams rooted in federal law which dictate how much grant revenue is made available to states and local governments. The purpose of a formula is to direct funding to states and regions where money will be put to the best use—consistent with the intent of its legislative authority. For example, a hypothetical transit operating assistance program might distribute 50% of its funding based on the proportional population in that state, and 50% based on the proportional number of transit trips taken in that state. If a state has a high population or a sizable number of transit trips, the formula will favor that state with more funding allocated. Conversely, states with low population and few transit trips will receive less funding. This results in more operating assistance being directed to areas that are more transit-intensive.

The role of implementing federal transit programs is vested with *designated recipients*. By law, the governor is the designated recipient for transit funding in small urban areas (population 50,000–199,000).⁴ The governor may delegate the responsibility of administering transit grants. In most cases the role is delegated to the state DOT (or equivalent),

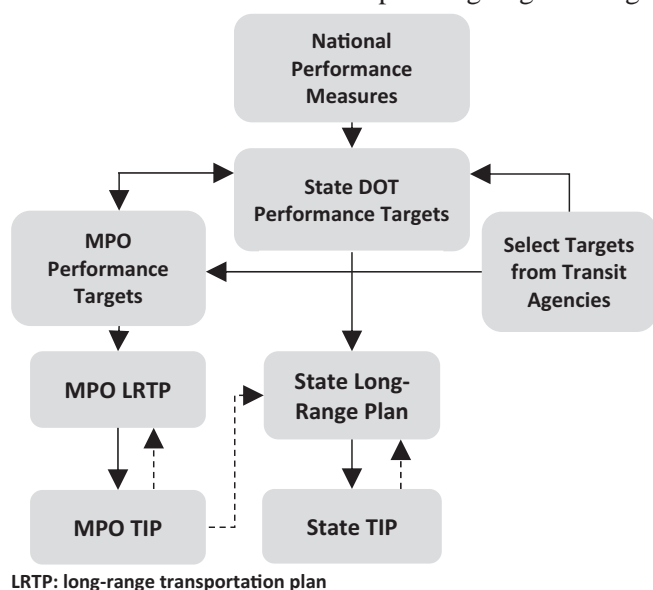
⁴In urban areas larger than 200,000 people, the designated recipient is the local operator of transit.

although the governor may opt to delegate this role to another agency within the state government. The governor or the designee is charged with overseeing the transit operator’s activities and acting as the fiscal agent. States can—and do—operate transit services, but the majority of transit operators are agencies owned by local or regional units of government.

On July 6, 2012, President Obama signed into law the most recent transportation authorization bill, Moving Ahead for Progress in the 21st Century (MAP-21). This law introduced the most significant changes to federal transportation policy since 1991. The basic structure of transit administration was left unchanged. However, some changes were made to the funding programs that support transit. Notably, several programs that supported demand-response or paratransit services were consolidated into a single program called Enhanced Mobility of Seniors and Individuals with Disabilities (Section 5310). Further, several discretionary grant programs were eliminated. Overall, funding levels were reduced slightly from the amounts found under the previous transportation authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). However, the flexibility of funding was increased by eliminating earmarks and consolidating several programs in larger pots of money. MAP-21 also instituted regulatory and planning requirements related to safety and state-of-good-repair.

This digest covers many changes resulting from the adoption of MAP-21. However, several pieces of important administrative rule-making and guidance are expected to be issued over the next two years. Rules and guidance from FTA could further change transit funding policy and planning. In addition, MAP-21 is due to expire on September 30, 2014; a replacement bill will need to be enacted. Any change to policy could alter the accuracy of commentary and analysis in this digest. Transit operators and planners are encouraged to work closely with FTA headquarters, their state DOT, and their FTA regional office to ensure that anticipated local actions are consistent with the latest federal rules.

MAP-21 introduced a strong emphasis on performance measurement throughout the surface transportation program, and during the planning process in particular. Transit agencies are given a distinct role in the performance-based planning process. Exhibit 3 shows the relationship between agencies and the points where input from transit operators is needed. State DOTs and metropolitan planning orga-

Exhibit 3 Performance-based planning target setting.

nizations (MPOs) are required to adopt targets for performance measures within their planning area. State DOTs and MPOs are required to coordinate with transit providers when setting targets related to public transit safety and asset management (including fleet management and state-of-good-repair). Transit operators should work closely with their state DOT and MPO(s) to ensure that proper transit performance measures and targets are adopted. The measures and targets adopted early in the process will be used by states and MPOs during development of long-range plans and short-term transportation improvement programs. Specific guidance for performance-based planning and programming is anticipated to be issued in a joint FHWA and FTA rule-making in late 2013 or early 2014.

FEDERAL TRANSIT FUNDING PROGRAMS FOR URBAN AREAS

This section contains information about specific federal transit funding programs that are relevant to urban areas. MAP-21 narrowed the number of federal programs, and all programs that fund operations are now formula-based. Each transit-related federal funding program is discussed in detail below.⁵

⁵APTA published a comprehensive summary of MAP-21 programs. It is available from: <http://www.apta.com/gap/legissues/authorization/Documents/APTA%20MAP-21%20Guide.pdf>. Certain highway programs can be used on transit programs as well.

All FTA grant programs have match requirements, meaning that the federal government covers only a portion of the total cost of the particular service or project for which funding is intended. For capital expenditures, the federal share is 80% and the state/local share is 20%. For operating assistance, the match requirement is 50% federal and 50% state/local.⁶

The methods for raising the required matching funds vary by state and region, but may include:

- State appropriations of funds
- Local government contributions
- Innovative sources including advertising, major employer contributions, or land value capture
- In-kind contribution of materials or labor
- Contributions from the private sector, through donations, impact fees, and other agreements
- Transportation development credits (also called toll credits)⁷

Although the percentage of the federal share does not increase when the region becomes a small urban area, the amount of federal assistance is likely to increase substantially.⁸ In turn, the amount of state/local funding will need to increase in order to meet the larger match requirement. A new source of matching funds may be needed.

FTA 5307 Urbanized Area Formula Grants

The purpose of the Urbanized Area Formula Program is to support and improve public transportation systems in urban areas, and Section 5307 is by far the largest federal funding source for transit. FTA Section 5307 funds become available when an urban area has been identified during the census;

⁶A federal grant for operating assistance may not exceed 50% of the net project cost. The term *net project cost* means the part of a project that reasonably cannot be financed from revenues like fares.

⁷Transportation development credits require the active participation of the state DOT, and can only be used in states with active toll roads. For more information, see FTA Circular 9010.1.D: http://www.fta.dot.gov/legislation_law/12349_11492.html.

⁸It is possible that a transit operator may receive less money when an area becomes an urban area. The exact allocation for each urban area is dependent on the state's decision-making. As well, a rural area may have obtained discretionary funding for certain projects through their state that would not be available to them as an urban area.

using funds from this program triggers oversight and governance requirements. For small urban areas, the governor of the state receives the funding and determines how to allocate the money. Usually the governor will delegate the task of overseeing transit funding to the state DOT.

Small urbanized areas (those under 200,000 in population) receive 9.32% of the funds appropriated for the Section 5307 program. In fiscal year 2013, \$4.9 billion has been appropriated to the entire program. This results in \$456,680,000 available to small urbanized areas. If this amount were divided equally among all 318 small urban areas, each would receive \$1,436,000. However, federal law stipulates that the pool of available funds be distributed to the states through a formula that takes into account the population and population density in the urban areas within the state.⁹ Half of the amount is distributed based on the population of the urbanized area divided by the total population of all small urbanized areas. The other half is distributed based on the population density of the urbanized area in relation to national averages. Urbanized areas with lower population density or lower overall population can expect to receive less money than average; those with more dense, larger populations can expect to receive more funding.

Eligible activities for Section 5307 funds include capital projects and planning.¹⁰ The funding may also be used for projects that increase access to jobs and employment opportunities for welfare recipients and low-income workers. For smaller urban areas (50,000 to 200,000 population), funds may be used for transit vehicle operations. At least 1% of the funding must be used for associated transportation improvements that enhance transit service or increase use, which may include bus shelters, streetscaping, access for pedestrians and bicyclists, and signage.

FTA Section 5307 Urbanized Area Formula Grants funding may be expended over a 5-year timeframe. This stands in contrast to the FTA 5311 Formula Grants for Rural Areas, which must be drawn

down within 2 years.¹¹ The longer Section 5307 timeframe adds flexibility for the operator to address transit needs in the region.

Additional urban area funding is available through a set-aside under FTA's Small Transit Intensive Cities (STIC) program. This program, authorized under Section 5340, provides an opportunity for qualifying areas to obtain a higher Section 5307 formula funding allocation. Additional details of this program are provided in Exhibit 4.

5310 Mobility Program

Under MAP-21, the Elderly and Disabled (formerly Section 5310) and New Freedom (formerly Section 5317) programs were consolidated into a single program. The new Section 5310 program, *Enhanced Mobility for Seniors and Individuals with Disabilities*, continues to ensure support for non-profit transportation providers and provides funds for public transportation services that exceed the requirements of the Americans with Disabilities Act (ADA). Projects selected for funding must be derived from a locally developed, coordinated public transit–human services transportation plan that was developed through a planning process that engaged the public, transportation stakeholders, and human services providers.

The Section 5310 program provides funding for capital and operating costs for projects that improve mobility for these special-needs riders. States must use at least 55% of these funds for the planning, design, and implementation of public transportation projects that address special needs of seniors and individuals with disabilities. The remaining 45% may be used for projects that exceed ADA requirements; projects that improve access to fixed-route service and decrease reliance by individuals with disabilities on complementary paratransit; and alternatives to public transportation that assist seniors.

For small urban and rural areas, with populations under 200,000, the states are the grant recipient; eligible subrecipients include state or local governmental agencies, private non-profit organizations, and public transportation operators. For larger urbanized areas, the above designated recipient may receive apportionments directly.

⁹A small amount (3.7%) of all Section 5307 funding is apportioned based on the number of low-income households in the urban area.

¹⁰Small urban areas receive the highest level of operating assistance. For urban areas over 200,000 in population, the federal share of operating expenses drops significantly.

¹¹The year in which the funds are appropriated does not count toward the total availability.

Exhibit 4 Small Transit Intensive Cities Program.

A small transit-intensive city operates more vehicles and has higher ridership than expected for a city its size, due to special populations or high levels of state and local funding for transit projects. Examples of small transit-intensive cities include Flagstaff, Arizona; Gainesville, Florida; Bloomington, Indiana; and Charlottesville, Virginia.

Special populations often contribute to high transit use and designation as a small transit-intensive city. For example, college towns often have students who ride the bus to campus. Cities with many tourists—such as those near a national park or along the coast—also can foster high transit usage. The Small Transit Intensive Cities (STIC) program rewards local governments that are willing to invest in transit. Where mass transit is a priority, substantial capital and operating support from local and state governments allows local agencies to provide more service.

FTA’s STIC formula funding was established by SAFETEA-LU in recognition that more federal support is needed in cases where transit service exceeds expected service levels. MAP-21 continued STIC and increased funding for the program. Starting with FY 2013, STIC will comprise 1.5% of the entire Urbanized Area Formula program, or around \$73.5 million annually. The distribution of STIC funding is tied to six transit service criteria factors:

- Passenger miles per vehicle revenue mile
- Passenger miles per vehicle revenue hour
- Vehicle revenue miles per capita
- Vehicle revenue hours per capita
- Passenger miles per capita
- Passenger trips per capita

To determine the amount apportioned to transit-intensive cities, a base of \$86,856 is multiplied by the number of transit service criteria factors that met or exceeded the average for urbanized areas with populations between 200,000 and 999,999. In the example below, City A met or exceeded two of the six factors (see asterisks) and would receive \$173,712 in STIC funds.

STIC Transit Service Criteria Factors	City A	FY 2013 Avg. for UZAs
Passenger Miles per Vehicle Revenue Mile	*7.956	6.221
Passenger Miles per Vehicle Revenue Hour	*375.259	105.980
Vehicle Revenue Miles per Capita	5.526	10.450
Vehicle Revenue Hours per Capita	0.047	0.660
Passenger Miles per Capita	25.663	80.161
Passenger Trips per Capita	8.578	12.661

(Source: FTA FY2013 Apportionment Tables.)

FTA apportions 60% of the total Section 5310 funds for large urbanized areas, 20% for small urbanized areas, and 20% for rural areas. These funds are apportioned using a formula based on the population of seniors and individuals with disabilities within the urban area or the non-urban part of the state. Match requirements differ for capital operating expenses. For capital projects, the federal share may not exceed

80% of the net capital costs of the project. For operating assistance, the federal share may not exceed 50% of the net operating costs of the activity.

5303/5305 Metropolitan Transit Planning

Designation as an urban area entitles the region to receive funds that support more complex planning

efforts at the metropolitan level.¹² Sections 5303 and 5305 funds support “cooperative, continuous and comprehensive”¹³ transit planning at the metropolitan level.¹⁴ Funds are apportioned relative to states’ populations inside urbanized areas; funds are then transferred to MPOs. For additional information on MPOs, see “Working with the MPO” in this digest. The MPO governing board has control over the expenditure of transit planning funds. Transit planning funds cannot be used to directly support transit service provision. There is a standard local match for these programs; the federal share may not exceed 80% of the project cost. Eligible activities include planning activities with a transit component. Transit-specific work can be supported, such as a feasibility study or alternatives analysis. Often, transit planning funds will be combined with FHWA planning funds (often called PL funds) to support the development of a multimodal long-range transportation plan or transportation improvement program. It is common for MPOs to conduct joint studies with transit operators, or even pass through all or part of the money to support planning work performed by transit operator staff.

5311 Formula Grants for Rural Areas

Urban areas have many types of transit needs. While some of these needs can be met by the FTA Section 5307 Urban Area Formula Grants program described above, steps should be taken to secure other funding sources that may be able to help meet particular transit demands. Some newly urbanized areas may still have nearby non-urbanized land areas that continue to require transit services. These rural areas may still be eligible for Section 5311 Formula Grants for Rural Areas funding, but not be eligible

for Section 5307 funds. Service types eligible under Section 5311 but not Section 5307 may include:

- Paratransit service. Demand-response services to the elderly and persons with disabilities may still be funded through other programs, particularly Section 5310 Formula Grants for the Enhanced Mobility of Seniors and Individuals with Disabilities.
- Intercity bus service.
- Fixed-route service in rural areas adjacent to the urban area. For more information on sharing costs for service that crosses the urban area boundary, see the “Shore Transit” case study in this digest.

The goals of the Section 5311 program are to improve residents’ access to jobs, shopping, schools, and other common destinations; preserve or enhance rural transit systems; encourage efficient transit system operations; provide intercity bus service; and support private transportation providers. Funds are apportioned to states based on their population living in non-urbanized areas, taking into account the total land area. Quickly growing states are apportioned additional amounts using formula factors of 49 U.S.C. 5340.¹⁵ A portion (15%) of the apportioned funds must be used for intercity bus service. However, states are exempt from this requirement if the governor can ascertain that intercity travel needs are sufficiently met by the private sector.

Section 5311 funds may be used for capital, operating, and administrative costs. These activities may include: capital projects; operating costs of equipment and facilities for use in public transportation; and the acquisition of public transportation services, including service agreements with private providers of public transportation services. States and American Indian tribes are eligible to receive funds from this program. These entities may pass funds through to a state or local governmental authority, a non-profit organization, or an operator of public transportation or intercity bus service.

The match requirements differ by activity. For capital and administrative expenses, the federal share may not exceed 80%. For operating expenses, the federal share may not exceed 50%. However, the

¹²A fact sheet on planning programs can be found at: http://www.fta.dot.gov/grants/13093_3563.html.

¹³The cooperative, continuous, and comprehensive (3-C) process is taken from the metropolitan and statewide planning sections of MAP-21. The purpose of 3-C planning is to consider transportation investment in a long-term, mode-neutral process that incorporates input of stakeholders and the general public. State DOTs and MPOs adopt a long-range transportation plan and a short-range transportation improvement program as a part of the 3-C process.

¹⁴A separate program, Section 5304 (Statewide Planning), supports transit planning at the state level. In general, these funds support rural transit planning.

¹⁵MAP-21 Section 5340 (Apportionments Based on Growing States and High Density States Formula Factors) discusses additional apportionments to both small transit-intensive cities and rapidly growing/high density states.

federal share is increased to 90% for capital projects that remedy deficiencies in ADA or Clean Air Act compliance, or provide bicycle access to transit.

Section 5311 funds can often play an important role for transit operators in urban areas. If the state DOT agrees, Section 5311 dollars may be used by urban area operators to fund the operation of certain segment(s) of their routes that cross into rural areas. Operating and capital costs for these types of combined urban/rural routes can be split between the 5311 and 5307 programs. For convenience, the urban area operator may continue to run service that serves rural areas. This can help streamline service throughout the region. It also can reduce overhead because only one set of planners, managers, and dispatchers is required. Certain types of intercity bus services can also be paid for using Section 5311 funds.

A clear vision for the state can help match available funds to needs. Service can be maintained—and potentially improved—by creatively assembling and combining Section 5307 funds with Section 5311 funds and other grant revenue streams.

FEDERAL REQUIREMENTS RESULTING FROM ACCEPTANCE OF URBAN TRANSIT FUNDING

As previously stated, the acceptance of Federal Urban Area Transit program funding carries with it a number of requirements and obligations. The following section outlines some (but not all) of these primary responsibilities. To ensure that agencies have a complete list, it is highly advisable to review the resources identified in Appendix A and consult with the appropriate FTA regional office.

Safety and Asset Management

All grantees (designated recipients and subrecipients) are required by MAP-21 to develop two standalone documents: (a) an Asset Management Plan and (b) a Transit Safety and Oversight Plan. Asset management plans should include capital asset inventories, an assessment of asset conditions, and a methodology for prioritizing investments. Transit safety and oversight plans include identification of risks, plans for training of staff, and identification of performance targets. Regular reporting of information concerning the agency's asset management and safety activities is required. Both plans can be drafted by either the state or the operator, and new sources of federal funding are made available to draft the docu-

ments and report progress. However, if the operator is a subrecipient, the state will play a larger role. Performance reporting on asset management and safety is incorporated into the long-range plans of the MPO and the state DOT. Performance-based planning is discussed below. Specific processes for the development of the asset management and transit safety and oversight plans are anticipated to be issued in a federal rule-making from FTA in 2013 or 2014.

Triennial Reviews

To ensure adherence with federal requirements, every 3 years the FTA conducts a formal review of each agency receiving Urban Area Formula Grant funds to evaluate the performance and compliance of grantees. This review is required by law, and several FTA circulars and guidance documents are available to clarify the process for the review. Triennial reviews are the primary enforcement mechanism to ensure that grantees are meeting the requirements and regulations of FTA funding programs. However, triennial reviews are more than just an enforcement mechanism. During each review, FTA provides technical assistance and recommendations to grantees. Further, FTA uses information collected in the reviews to make regular reports to the U.S. Secretary of Transportation, Congress, other oversight agencies, and the broader transportation community.

All agencies receiving funds through the Section 5307 Urbanized Area Formula program are expected to meet or exceed the requirements of the triennial review process. However, only the *direct recipient* is the subject of the triennial review. Small urban operators can be certified as direct recipients, but in many cases, the state is the direct recipient.

Triennial reviews examine 24 activity areas of the transit operator.¹⁶ All operators need to be fully cognizant of the triennial review process and each area of review—not only in preparing for and participating in the review, but also in the everyday administration and operation of the organization. Small urban operators that are direct recipients will need to present evidence of compliance with all oversight areas. These oversight areas are shown in Exhibit 5. Operators that are subrecipients should be prepared to assist the direct recipient (the state) in preparing for and reviewing information with the FTA review team.

¹⁶One review area, the American Recovery and Reinvestment Act, is still included in the triennial review. However, this review area was intended to examine large expenditures of funding in 2009.

Exhibit 5 Triennial review oversight areas.

Triennial Review Area	Description
1. Legal	Eligibility and authorization to request, receive, and dispense funds; actions taken on grantees' behalf are properly delegated and executed
2. Financial	Ability to match and manage FTA grant funds, and conduct and respond to audits
3. Technical	Ability to implement and manage grants properly
4. Satisfactory Continuing Control	Management and maintenance of FTA funded property, facilities, and equipment
5. Maintenance	Ability to keep federally funded equipment and facilities in good operating order
6. Procurement	Procedures for competitive procurements, in accordance with local, state, and federal laws, and FTA regulations
7. Disadvantaged Business Enterprises	Efforts to allow disadvantaged business enterprises (DBEs) to compete fairly for federally funded contracts
8. Buy America	Adherence to requirements for procurements of steel, iron, or manufactured goods produced in the United States; compliance with pre-award/post-delivery audit requirement for procurements of revenue rolling stock
9. Debarment and Suspension	Verification that none of the grantees' principals, subrecipients, or third-party contractors and subcontractors are debarred, suspended, ineligible, or voluntarily excluded from participation in federally assisted transactions
10. Lobbying	Compliance of grantees and certain contractors/subcontractors/subrecipients with restrictions on lobbying before receiving federal funds
11. Planning/Program of Projects	Participation in the transportation planning process in accordance to metropolitan planning requirements, and coordinated human services transportation planning; compliance with requirements for public participation
12. Title VI	Provision of transit service and related benefits is equitably distributed, with no discrimination on the grounds of race, color, or national origin
13. Public Comment for Fare and Service Changes	Process to solicit and consider public comments before raising transit fares or implementing major service cuts
14. Half Fare	Offering of reduced fares for the elderly, persons with disabilities, and Medicare card holders on Section 5307 fixed-route service (not to exceed one-half the regular rate charged during peak hours)
15. Americans with Disabilities Act	Provision of transit service must not discriminate against persons with disabilities
16. Charter Bus	Adherence to prohibited use of federally funded equipment and facilities to provide charter service, if a registered private charter operator expresses interest in doing so; may operate community-based charter services except when limited by regulation
17. School Bus	Adherence to prohibited operation of an exclusive bus service
18. National Transit Database	Annual collection, recording, and reporting of required data
19. Safety and Security	Certification for urbanized area formula funding spent on security projects; implementation of safety, security, and emergency preparedness programs
20. Drug-Free Workplace	Maintenance of drug-free workplace and establishment of ongoing drug-free awareness program
21. Drug and Alcohol Program	Administration of drug and alcohol testing of safety sensitive employees
22. Equal Employment Opportunity	Hiring practices that do not subject any persons to discrimination in employment
23. Intelligent Transportation Systems Architecture	Intelligent Transportation Systems (ITS) projects conform with National ITS Architecture and IT standards adopted by the U.S. DOT
24. American Recovery & Reinvestment Act	Legal, financial, and technical capacity to implement the proposed program of projects and compliance with program reporting requirements

Detailed information on each triennial review oversight area can be obtained through the *FTA Triennial Review Program Workbook*.¹⁷ Additionally, the checklist included as Exhibit 6 later in this digest discusses important steps a new urban area operator will need to take, and a significant portion of the checklist focuses on triennial oversight review areas.

Title VI of the Civil Rights Act and Environmental Justice

Title VI of the Civil Rights Act of 1964 prohibits discrimination on the basis of race, color, or national origin in programs and activities receiving federal financial assistance. Since 1972, federal transportation policy has required applicants, recipients, and subrecipients of federal assistance to certify compliance with the requirements of Title VI and U.S. DOT Title VI regulations (49 CFR Part 21).

FTA also requires that transit operators integrate into their programs and activities the considerations expressed in the U.S. DOT Order on Environmental Justice (Order 5610.2, consistent with Executive Order 12898) and the department's *Policy Guidance Concerning Recipients' Responsibilities to Limited English Proficient Persons* (70 FR 74087, consistent with Executive Order 13166). The environmental justice executive order directs federal agencies to identify and address disproportionately high and adverse human health or environmental effects of agency programs, policies, and activities on minority or low-income populations.

FTA's grant agreements require funding recipients to incorporate environmental justice principles into their transportation decision-making process and environmental review documents. There are no requirements that are specific to *only* grant recipients in small urban areas—*all* transit operators must meet the requirements discussed in this section. FTA's Circular 4703.1 provides guidance to recipients of FTA funding on how to:

- Determine whether environmental justice populations would be subjected to disproportionately high and adverse human health or environmental effects as a result of a transportation plan, project, or activity;

- Fully engage environmental justice populations in the public transportation decision-making process;
- Integrate environmental justice principles into transportation planning and service delivery; and
- Incorporate environmental justice principles into the environmental review process required by the National Environmental Policy Act (NEPA).

Transit agencies must perform specific actions to demonstrate compliance with Title VI and Environmental Justice requirements. FTA requires that designated recipients and subrecipients ensure and can demonstrate that their programs, policies, and activities comply with the U.S. DOT Title VI regulations, the Order on Environmental Justice, and the *Policy Guidance Concerning Recipients' Responsibilities to Limited English Proficient Persons*, through the following procedures:

1. Provide an annual Title VI certification and assurance as part of its annual certification and assurance submission to FTA;
2. Develop Title VI complaint procedures and make them publicly available;
3. Record Title VI investigations, complaints, and lawsuits;
4. Provide meaningful access to individuals who have limited proficiency in English;
5. Notify beneficiaries of protection under Title VI;
6. Provide additional information to FTA upon request;
7. Prepare and submit a Title VI program to FTA's regional civil rights officer every 3 years;
8. Integrate environmental justice analyses into the NEPA documentation for construction projects; and
9. Seek out and consider the viewpoints of minority, low-income, and limited-English-proficient populations in the course of conducting public outreach and involvement activities (see "Public Involvement" in this digest).

Public Involvement

Inclusive and ongoing involvement of the general public is critical to the effective planning and operation of a public transit system. All transit operators—including new urban area operators—should commit

¹⁷FTA *Triennial Review Program Workbook*—FY2012, available at: http://www.fta.dot.gov/documents/FY2012_On-line_TR_Workshop_Workbook_Rev1.pdf.

their agencies to proactive and responsive public involvement. The FTA requires state DOTs, MPOs, and transit agencies to employ locally developed processes and procedures for public involvement that are tailored to local dynamics and needs. In conjunction with FHWA, FTA issued an Interim Policy of Public Involvement. This policy document calls for public involvement in all stages of planning and project development. To meet the requirements of the joint FTA/FHWA policy, all transit operators should:

- Encourage decision-makers and the public to work collaboratively to develop goals and objectives for transportation systems, and identify challenges and solutions;
- Ensure substantial public involvement in the creation of public engagement procedures;
- Encourage outreach and involvement of affected and interested members of the public, including those traditionally underserved by existing transportation systems and facilities;
- Encourage the use of different public involvement techniques to accommodate a diverse general public;
- Support outreach, training, and technical assistance and provide information on effective public involvement procedures; and
- Ensure that statewide and metropolitan planning work programs provide for effective public involvement.

To evaluate the effectiveness of public involvement procedures and processes, FTA has developed performance metrics for public involvement processes. These metrics assess the level of early and continuous public involvement; the availability of technical and other information; collaboration between decision-makers and the public on alternatives; evaluation criteria and project mitigation needs; and the number of open public meetings where federal transit programs are being considered.¹⁸

Purchasing and Contracting

Transit operators must ensure that the expenditures of federal transit funds for the purchase and procurement of goods and services are prudent and compliant with all federal procurement and contracting requirements. Some requirements originate in the FTA's enabling legislation, while others are

government-wide requirements. The FTA has developed guidance on third-party contracting, which sets minimum standards for procurements that are funded with federal grant assistance. The guidance also discusses the recipient's responsibilities, which include:

- **Written Standards of Conduct.** Grant recipients must maintain written standards of conduct governing the performance of employees involved in the award or administration of third-party contracts.
- **Self-Certification.** FTA expects each recipient to self-certify that its procurement system complies with federal requirements for any FTA assisted third-party contract the recipient undertakes and administers.
- **Third-Party Contracting Capacity.** The recipient's third-party contracting capability must be adequate to undertake its procurements effectively and efficiently in compliance with applicable federal, state, and local requirements. The guidance includes detailed suggestions on written procurement procedures, third-party contract provisions, recordkeeping, and use of electronic commerce systems.
- **Audit.** A third-party contract audit can be an important tool for managing procurements. In addition to special audits FTA may initiate, the recipient may find it desirable to perform an audit of one or more specific third-party contracts as part of its own management process.
- **Determining the Recipient's Needs.** To support a third-party contract with federal assistance awarded by FTA, a recipient must adopt adequate procedures for determining the type and amount of property and services it needs to acquire.

Another important component of purchasing and contracting is the monitoring of contracting to disadvantaged business enterprises (DBEs). DBEs are companies owned by individuals (or groups of individuals) who may face difficulties in contracting with the government. Examples of groups that may qualify as a DBE include small businesses, female-owned businesses, companies owned by racial minorities, and veteran-owned businesses. Companies seeking to do business as a DBE are generally certified by states. The transit operator should adopt a resolution stating the organization's policy toward hiring DBEs. The transit operator should also set a goal for a percentage of contracted business that is awarded to qualifying

¹⁸<http://www.fta.dot.gov/15589.html>.

DBEs. An ongoing monitoring program will help speed the reporting of DBE utilization.

Equal Employment Opportunity

According to federal law governing assistance for public transportation (49 U.S.C. 5332[b]), “a person may not be excluded from participating in, denied a benefit of, or discriminated against under, a project, program, or activity receiving financial assistance under this chapter because of race, color, creed national origin, sex, or age.” This statute, commonly referred to as Equal Employment Opportunity (EEO), applies to both employment and business opportunities (procurement).

FTA’s Office of Civil Rights assists recipients in developing, implementing, and monitoring effective employment practices to comply with EEO law. All recipients and subrecipients are required to develop an EEO program and report to the FTA every 3 years if the operator employs more than 50 transit employees or received more than \$1 million in FTA funding the previous year.

According to FTA’s Equal Opportunity Circular (UMTA C 4704.1),¹⁹ an EEO program must include the following components:

- **Statement of Policy.** A statement issued by the chief executive officer regarding EEO policy affecting all employment practices.
- **Dissemination.** Formal communication mechanisms to publicize and disseminate the agency’s EEO policy both internally and externally.
- **Designation of Personnel Responsibility.** Appointment of an executive as Manager/Director of EEO who reports to and is directly responsible to the agency’s CEO.
- **Utilization Analysis.** An analysis to identify those job categories where there is an underutilization and/or concentration of minorities and women in relation to their availability in the relevant labor market.
- **Goals and Timetables.** Specific and detailed percentage and numerical goals with timetables to correct any underutilization of specific affected classes of persons identified in the utilization analysis.

¹⁹The Urban Mass Transit Administration (UMTA) was the forerunner of the FTA. Because UMTA operated until 1991, some publications, rules, and guidance still retain the previous acronym.

- **Assessment of Employment Practices and Corrective Action Plan.** Detailed assessment of present employment practices to identify those practices that operate as employment barriers, and a proposed program of remedial, affirmative actions.
- **Monitoring and Reporting.** Establishment of an effective and workable internal monitoring and reporting system.

Americans with Disabilities Act

Passed in 1990, the ADA ensures equal opportunity and access for persons with disabilities. ADA requirements are the same for all transit providers receiving federal financial assistance—regardless of size—to provide transit services that are accessible for persons with physical or mental disabilities. Disability, as defined by ADA, refers to a “physical or mental impairment that substantially limits one or more of the major life activities of such individual; a record of such an impairment; or being regarded as having such an impairment.”²⁰ To comply with ADA rules, transit service must provide accessible vehicles and facilities, offer complementary paratransit service in areas with a fixed-route system, and ensure that transit service does not discriminate against persons with disabilities.

The Architectural and Transportation Barriers Compliance Board (Access Board) sets the guidelines for ADA-compliant vehicles and facilities. Under ADA rules, the acquisition of new buses or the modification of existing buses must meet accessibility requirements. Some features of an ADA-compliant bus include lifts or ramps, handrails, slip-resistant surfaces, and priority seating signs.²¹ Additionally, the construction of new facilities and the renovation of existing facilities must meet requirements for accessibility and use by persons with disabilities, including accessible routes, bus loading zones, and on-street bus stops.²²

ADA requires public entities that offer fixed-route service to also provide complementary paratransit service for individuals whose needs are not met by the fixed-route system—either because the extent of

²⁰ <http://www.ada.gov/pubs/adastatute08.htm#12102>.

²¹ <http://www.access-board.gov/guidelines-and-standards/transportation/vehicles/about-adaag-for-transportation-vehicles>.

²² <http://www.access-board.gov/guidelines-and-standards/transportation/facilities/about-the-ada-standards-for-transportation-facilities>.

their disability prevents them from using even a fully accessible fixed-route system or because the existing fixed-route system does not yet meet ADA requirements. Paratransit should provide service between a rider's origin and destination.²³ Under the ADA, complementary paratransit service must be provided to eligible individuals between any origin or destination point within $\frac{3}{4}$ of a mile of any route in the fixed-route bus system during the same days and hours as the bus route. Transit agencies also develop a process for determining which individuals are eligible for ADA paratransit service.

The enforcement of ADA regulations is a complaint-driven process. Therefore, agencies develop a process for accepting and addressing complaints to ensure that transit services do not discriminate against individuals with disabilities.

National Transit Database

The National Transit Database (NTD) was established by Congress to be the nation's primary source for information and statistics on the transit systems of the United States. The legislative requirement for the NTD is found in Title 49 U.S.C. Section 5335(a). Recipients or beneficiaries of FTA grants under the Urbanized Area Formula Program or the Other than Urbanized Area (Rural) Formula Program (Section 5311) are required to submit data to the NTD.²⁴

The primary uses of NTD data are:

- Providing individual public transportation systems; federal, state, and local governments; and the public with timely, accurate, comparable information with which to conduct transportation planning, analysis, and research; and
- Providing specific input elements for the formula allocation of federal transit funds for the Urbanized Area Formula Program (Section 5307).

The NTD program requires rigorous and consistent record keeping by grantees. The NTD reporting system uses uniform categories to accumulate public transportation financial and operating information, including a uniform system of accounts. One of the many critical elements of NTD data collected is passenger miles traveled (PMT), the cumulative sum of the distances ridden on board a route or line by each passenger. The PMT data reported must be

based upon an FTA-prescribed statistical sampling technique that meets required confidence and precision levels. It is critical to review the *NTD Annual Reporting Manual* (see Appendix A) to fully understand all of the data elements required and their collection procedures and timelines.

Small systems operating 30 or fewer vehicles may submit a report with significantly reduced reporting requirements. The reporting requirements for this waiver can be found in a separate *Small Systems Waiver Reporting Manual* (see Appendix A).

STARTING UP OR EXPANDING A TRANSIT OPERATING AGENCY—KEY ISSUE AREAS

The key issues discussed in this section of the digest are derived from federal requirements, a literature review of best practices, and the case studies performed as a part of NCHRP Project 20-65, Task 45. Each transit operator has unique legal, political, and practical circumstances. It is important to remember that additional key steps and requirements can be added by state statute or local ordinance; new urban area transit operators are advised to inquire with the relevant authorities.

Governance and Ownership of the Transit Operator

The owner and operator of transit vehicles (transit operator) can vary from region to region. Transit operators are generally public agencies, in that they operate on a non-profit basis and exist to serve the public.²⁵ The first step in offering new transit service in small urban areas—or expanding what was rural service into newly designated small urban areas—is to identify who will operate the transit system. Until an operator has been identified, many of the other decisions regarding transit services cannot be made. More than one operator can provide services within the urban area, although multiple operators are more common in larger regions. Potential operator options could include:

- The state DOT itself.
- Existing fixed-route transit operators that receive Formula Grants for Rural Areas (Section 5311).
- Existing demand-response service operators.

²³http://www.fta.dot.gov/12325_3891.html.

²⁴<http://www.ntdprogram.gov/ntdprogram/ntd.htm>.

²⁵For-profit transit operators do exist, but they generally offer contractual service to a public operator.

- A local government identified as willing to operate transit service. For more information on this scenario, see the “JEFFTRAN” case study in this digest.
- Local governments that enter into an interlocal agreement to offer transit service. A regional council of governments or an MPO can be a useful platform for offering regional transit service. For more information on this scenario, see the “Shore Transit” case study in this digest.
- A newly chartered regional transit authority. In this scenario, the state legislature creates a transit operator as a separate unit of government. Existing transit operators may be absorbed by the authority. For more information on this option, see the “Mountain Line” case study in this digest.
- Private, non-profit organizations. This option is most often observed when non-profits serve as demand-response paratransit or Medicaid transportation providers. Private operators can only exist as a funding subrecipient of a public operator.

An urbanized area is not required to provide transit service. If no transit service will be provided, no operator is identified. In this case, the state may reallocate its FTA Section 5307 funds to one or more urbanized areas within the state.

Transit Administration

Three basic models exist for administration of transit in small urban areas: (1) state DOT-operated transit vehicles; (2) subrecipient operators; and (3) direct recipient operators. Few states choose to operate urban transit services. Subrecipient and direct recipient models are administrative arrangements in which locally (or regionally) owned vehicles offer service.²⁶

The default option is subrecipient status. In this administrative arrangement, the state has oversight authority of transit operators and acts as the fiscal agent for each operator. There are certain advantages to choosing to be a subrecipient operator, including: (a) less staff time devoted to meeting

²⁶As used in this paragraph, the terms *subrecipient* and *direct recipient* are related to, but not the same as, a *designated recipient*. By law, the designated recipient of federal transportation funding for areas under 200,000 population is the state.

federal requirements; (b) lower administrative and overhead costs; (c) use of the ADA and Title VI complaint procedures of the designated recipient; (d) use of contracting mechanisms of the designated recipient; and (e) availability of legal assistance from the designated recipient. Over time, the operator may develop stronger capabilities in these areas. The state DOT and the operator can agree to pursue direct recipient status at any time. If either the operator or the state DOT is opposed to direct recipient status (or no decision is made), then the process continues with the operator as a subrecipient.

A *direct recipient* is an agency that interfaces directly with the FTA. This qualifies the local operator to receive funding directly from the federal government instead of the state acting as an intermediary. This is a different classification from a designated recipient, but it includes many of the same duties and responsibilities. A small urban area cannot be a designated recipient—federal law specifies that is the role of the state.

The direct recipient of FTA 5307 Urbanized Area Formula Grant funds is responsible for complying with a number of federal requirements. Unless the operator acts as a direct recipient, the state is responsible for oversight. Operators under the oversight of the state can collect information and perform self-oversight, but ultimate responsibility rests with the state. Over time, operators can become progressively more proficient in oversight, easing the burden on the state.

Allowing an operator to become a direct recipient can reduce the workload on state agency staff members. If both the governor and the operator agree to elect the direct recipient option, an application is made to FTA. The purpose of the application process is to demonstrate that the operator has sufficient capabilities and capacity to meet FTA’s grant management requirements of a direct recipient. Direct recipients of federal transit funding agree to meet the full range of FTA requirements, including but not limited to those areas described in the previous section of this digest.

Working with the MPO

Becoming a census-defined urbanized area also results in designation as an MPO. MPOs are responsible for developing a 20-plus year multimodal long-range transportation plan (LRTP), as well as a shorter range TIP. All of the land area in an urbanized area must be included in the planning area of an MPO. The state DOT will be responsible for facilitating

the designation of the MPO in each region. During designation, it is very important to connect the MPO with transit providers operating in that region.

The transit provider in each urban area will need to have a close working relationship with the MPO, regardless of whether that operator is a subrecipient or a direct recipient. Key points at which the transit provider and state DOT need to be involved are:

- **Involvement in Establishment of the MPO.** MPOs are designated by the governor, but the boundaries and governance structure require the consent of local governments in the area. Many MPOs include transit agency representatives on the governing board—this is required for all MPOs larger than 200,000 in population. Transit leadership should participate during the designation process. Further, transit representatives may want to secure a voting or non-voting seat on the MPO governing board.²⁷
- **Participation in MPO Activities.** Transit staff should coordinate with MPO staff whenever possible. There may be opportunities for the cost-effective sharing of resources between the two agencies. Further, most MPOs have advisory committees to the governing board, which can be a useful venue for transit staff to participate in.
- **Development of the LRTP.** MPO plans are required to be drafted on an intermodal basis, meaning transit service is a key component of the document. Sharing information developed during transit planning efforts will help the MPO create a multimodal vision for the region. Information on transit use can help the MPO forecast travel demands and balance projects selected for funding.
- **Adoption of the TIP.** All transit investments paid for using FTA funds must be included in the TIP. Transit leadership should work with the MPO to define projects to be funded over the next 4–5 years.

To receive federal funding, transit projects must appear in the Statewide Transportation Improvement Program (STIP). Transit projects in non-urbanized or rural areas of the state can be programmed directly

into the STIP by the state DOT. However, projects in urbanized areas have an extra step in the process. The MPO for the urbanized area must approve transit projects. Approval is given by including projects in the MPO's TIP. All projects shown in the MPO TIP are then sent to the state for inclusion in the STIP. To facilitate this extra step during the programming phase, transit operators and state DOTs should work closely with the MPOs in their region. The state DOT should prepare for this change by encouraging operators to work closely with MPOs and the state DOT's programming office.

Working with the State DOT

Because the state is the designated recipient of federal transit funds in small urban areas, the state will play an important role in the setup and operation of transit service. Small urban transit operators need a close working relationship with their state DOT. Most state DOTs have a group of professionals dedicated to overseeing and administering transit programs. Establishing formal liaisons with the state DOT transit office can help expedite any administrative issues.

The MPO will be the primary contact point for federally mandated planning and programming activities. However, transit operators should regularly communicate with the state DOT long-range planning office and the office that oversees the STIP. If any transit service is provided outside of the urban area, regular communication is necessary, since the state LRTP and STIP will need to include those projects.

Each year, FTA issues a list of apportionments for each urbanized area. The apportionment is based on the formula contained in federal law and that year's appropriation by Congress. However, amounts shown for each urban area are advisory only. The state is free to apportion its allocated funding to any urbanized area within the state. Transit operators should pay close attention to the allocation of transit funding. This should include providing information to the state, participating in meetings to discuss allocations, and making joint projections of population and service growth.

Because the Census Bureau does not consider political borders when setting urban area boundaries, new urban areas will sometimes cross state boundaries. When this occurs, a state DOT may choose to enter into an interstate compact or interlocal agreement with its counterpart on the other side of the state line. The purpose of such an agreement is to lay the framework for a "bi-state" transit operator that can seamlessly and efficiently operate ser-

²⁷The board representative may be a career service person, an elected official, or an appointed member of the transit agency governing board. Transit representatives are required for MPOs with populations larger than 200,000.

vice to meet the area's transit needs, regardless of the state in which the need may be located.

CHECKLIST OF SUGGESTED START-UP STEPS TO ADDRESS FEDERAL REQUIREMENTS FOR NEW URBAN AREA TRANSIT OPERATORS

The checklist in Exhibit 6 contains suggested steps for transit operators in new urban areas to meet federal requirements during agency start-up. The

checklist includes steps related to creating, governing, and continued operation of a transit agency. It also includes steps related to the areas covered by a triennial review, although not all review areas have a checklist section because they address business processes and agency performance. Because transit operation in small urban areas is a partnership between the state DOT and the operator (subrecipient), the actual action to be taken may come from either party. A similar checklist for operators converting from rural to urban service appears in Appendix C.

Exhibit 6 Checklist for first-time transit operators.

Agency Governance and Organization		Estimated Timeline
Governance and Ownership of the Transit Operator		
<input type="checkbox"/>	Identify the owner and operator of transit vehicles in the urban area.	Within 6 months of designation as a UA
<input type="checkbox"/>	[For operators not owned by local governments] Enter into interlocal agreements with governments in the transit service area. Interlocal agreements should describe the governance structure of the operator, cost sharing, and responsibilities of all parties.	Within 6 months of designation as a UA
<input type="checkbox"/>	Assemble a governing board of the transit operator.	Within 6 months of designation as a UA
<input type="checkbox"/>	Hold an organizational meeting of the governing board of the transit operator. At the organizational meeting, the board will adopt many policy documents critical to the start-up of the transit operator.	Before staff are hired
<input type="checkbox"/>	Establish technical advisory and citizens’ advisory committees.	Before service begins
<input type="checkbox"/>	Hold regular business meetings of the governing board and advisory committees.	Ongoing
Transit Administration		
<input type="checkbox"/>	Hire professional staff.	As soon as possible
<input type="checkbox"/>	Draft and adopt an employee handbook.	Within 1 month of hiring staff
<input type="checkbox"/>	Together with the state DOT, determine whether to apply for direct recipient status.	At any time
<input type="checkbox"/>	Estimate federal, state, and local resources to support transit funding.	Within 6 months
<input type="checkbox"/>	Determine desired service types, routes, and frequencies.	Within 6 months
Working with the MPO		
<input type="checkbox"/>	Participate in the establishment of the MPO. Establish formal avenues for transit participation in the MPO governance and planning process. Participation can be a voting seat on the governing board of the MPO, a non-voting seat on the governing board, or formation of a transit advisory committee.	Concurrent with the establishment of the operator
<input type="checkbox"/>	Regularly attend MPO governing board and technical advisory committee meetings.	Ongoing

Agency Governance and Organization, continued		Estimated Timeline
Working with the MPO, continued		
<input type="checkbox"/>	Work with MPO professional staff to identify transit vision and needs for the region.	Ongoing
<input type="checkbox"/>	Transmit a list of needs for consideration in the MPO's LRTP.	Within 18 months; Every 4-5 years thereafter
<input type="checkbox"/>	Work with the MPO to include transit projects in the short-range TIP.	Within 18 months; Repeat on a regular schedule
Working with the State DOT		
<input type="checkbox"/>	Establish relationships with state DOT offices overseeing transit grants, long-range planning, and creation of the STIP. Formal liaison relationships may smooth this process.	Ongoing
<input type="checkbox"/>	Work with the state DOT to craft a vision for transit across the state.	Ongoing
<input type="checkbox"/>	Work with the state DOT to obtain a share of federal Section 5307 funding that is necessary and appropriate for the region.	Annually
Working with the FTA		
<input type="checkbox"/>	Establish relationships with FTA Region office staff responsible for overseeing urban transit programs.	Ongoing
<input type="checkbox"/>	Obtain copies of the most recent federal circulars and guidance.	As soon as possible
FTA Triennial Review Areas		Estimated Timeline
Title VI/Civil Rights/Environmental Justice		
<input type="checkbox"/>	Governing board adopts a written policy on non-discrimination.	At organizational meeting
<input type="checkbox"/>	Certify non-discrimination within the agency.	Annually
<input type="checkbox"/>	Develop a written procedure for receiving, addressing, and documenting discrimination complaints.	Before service planning begins
<input type="checkbox"/>	Appoint a staff member as the Title VI officer.	Before service planning begins
<input type="checkbox"/>	Develop procedures and secure supplies/services needed to fully interact with members of the public with Limited English Proficiency.	Before service planning begins
<input type="checkbox"/>	Document complaints, lawsuits, and investigations, and submit a report to the FTA Civil Rights Officer.	Every 3 years

(continued on next page)

Exhibit 6 (Continued)

FTA Triennial Review Areas, continued		Estimated Timeline
Purchasing and Contracting		
<input type="checkbox"/>	Develop and adopt written standards of conduct for procurement of goods and services. Standards should include evaluation of contractor capacity, ethical guidelines, termination processes, and auditing of contractors.	Before first procurement
<input type="checkbox"/>	Self-certification of the transit operator's compliance with federal procurement and contract oversight processes.	Annually
<input type="checkbox"/>	Train a staff member on procurement.	Before first procurement
<input type="checkbox"/>	Governing board adoption of a statement on meaningful involvement of DBEs in procurement.	Before first procurement
<input type="checkbox"/>	Establishment of DBE utilization goals and regular evaluation of progress.	Before first procurement; annually
<input type="checkbox"/>	Adopt a statement of agency policy to comply with Buy America requirements.	Before first procurement
Americans with Disabilities Act		
<input type="checkbox"/>	Adopt an ADA Compliance Policy Statement. (Can be a component of Title VI non-discrimination statement.)	Before first procurement
<input type="checkbox"/>	Develop written standards for vehicle procurement that meet ADA requirements, for both fixed-route and paratransit service.	Before first procurement
<input type="checkbox"/>	Develop written standards for accessible routes and transportation facilities that meet ADA requirements.	Before service planning begins
<input type="checkbox"/>	Create plan for complementary paratransit service.	Before service planning begins
<input type="checkbox"/>	Develop process for determining eligibility for paratransit service.	Before service begins
<input type="checkbox"/>	Provide sensitivity training for vehicle operators.	Before service begins; ongoing
<input type="checkbox"/>	Develop a written procedure for receiving, addressing, and documenting discrimination complaints.	Before service begins
Public Involvement and Fare Setting		
<input type="checkbox"/>	Governing board adoption of a comment process for service and fare changes.	Before service planning begins
<input type="checkbox"/>	Create public engagement procedures to ensure meaningful involvement of the public, including the traditionally underserved.	Before service planning begins

FTA Triennial Review Areas, continued		Estimated Timeline
Public Involvement and Fare Setting, continued		
<input type="checkbox"/>	Offer reduced fares for the elderly and persons with disabilities on fixed-route service. Fares cannot be more than half of the regular fare.	Before service begins
<input type="checkbox"/>	Participate in the development of the MPO's Public Participation Plan.	18 months from MPO establishment
Legal and Financial Support for Transit Operation		
<input type="checkbox"/>	Secure legal counsel and negotiate contracts.	At organizational meeting
<input type="checkbox"/>	Retain a third-party auditor.	Within 1 year
<input type="checkbox"/>	Governing board adopts a written policy statement prohibiting lobbying activities using federal funds. The policy should extend to subgrantees and contractors.	At organizational meeting
<input type="checkbox"/>	Adopt financial management procedures.	At organizational meeting
Equal Employment Opportunity		
<input type="checkbox"/>	Governing board adopts a written statement of agency policy regarding EEO. Distribute EEO statement widely and display it prominently in all hiring processes.	At organizational meeting
<input type="checkbox"/>	Appoint a senior staff member as the EEO manager or director.	Concurrent with adoption of EEO statement
<input type="checkbox"/>	Establish EEO goals and timetables for meeting goals.	Before staff are hired
<input type="checkbox"/>	Develop a system and process for assessing EEO practices, monitoring activities, accepting complaints, and reporting on EEO issues.	Before staff are hired; ongoing
NTD Reporting		
<input type="checkbox"/>	[For operators with fewer than 30 vehicles] Apply for a Small Systems Reporting Waiver.	Before service begins
<input type="checkbox"/>	Set up a data collection system that conforms to NTD reporting requirements.	Before service begins
<input type="checkbox"/>	Designate a staff member as the NTD reporting coordinator.	Before service begins
<input type="checkbox"/>	Make reports to NTD.	Annually
Drug and Alcohol Program		
<input type="checkbox"/>	Governing board adopts a written policy statement requiring the agency be a drug-free workplace.	Before staff are hired
<input type="checkbox"/>	Adopt agency policy regarding drug and alcohol use by employees. Policy should include explanation of disciplinary actions for non-compliance.	Included in Employee Handbook

CASE STUDIES

Lessons learned by agencies that began urban service in the 2000s are useful to agencies starting operation in the 2010s. To identify potential issues and solutions, this project includes case examples on three transit agencies that began receiving urban formula funding after the 2000 Census. The following three case studies provide a real-world context to better understand the key transit-related issues involved in the transition from a non-urbanized to a small urbanized area. After the 2000 Census, 67 urban areas were identified. Almost all of the urban areas identified by the 2000 Census accepted an allocation of Section 5307 Urban Formula funding.²⁸

Agencies for case study were selected based on:

- Input from the project panel and national membership groups related to transit;
- A mix of owner/operator types (city-owned, independent authority, MPO/Council of Governments);
- Geographic dispersion;
- The presence of an employee from the agency's formative years;
- A mix of transit service operated prior to 2000 (demand-response, rural transit, none); and
- Willingness to participate in the case example research process.

Case study participants were recruited by telephone. Materials were requested from the agency, such as strategic plans, annual reports, and agency budgets. Key employees were interviewed by telephone for approximately 60 to 90 minutes, with follow-up correspondence by email as needed. Case examples were reviewed by the participating agencies prior to publication.

CASE STUDY #1: SHORE TRANSIT



Transit Agency: Shore Transit
Urban Area: Salisbury, MD/DE

²⁸The research team is aware of at least one Census 2000 UA that refused Section 5307 funding. In this case, the region declined to offer fixed-route service and determined its funding levels would be higher using other sources. It is not known whether other UAs have declined Section 5307 funding in the past, although this appears to be a rare occurrence.

Operating Agency: Tri-County Council for the Lower Eastern Shore of Maryland
Website: <http://www.shoretransit.org/>

Agency Snapshot

Annual Budget	\$808,659
Annual Ridership	301,189
Year Established	2004
Fleet Size	45 buses
Number of Routes	10
Number of Operators	56
Number of Other Employees	36
Paratransit Service	Yes
Farebox Recovery Rate	22%

Shore Transit serves a three-county region in southeastern Maryland. Formed by agreement between three rural transit operators, today the transit agency is a functional unit of the Tri-County Council for the Lower Eastern Shore of Maryland (TCC). Shore Transit offers urban and hybrid urban/rural transit service. Substantial portions of rural land area are served by fixed-route transit.

History and Governance

Salisbury, Maryland, serves as the principal city of the Delmarva (Delaware-Maryland-Virginia) Peninsula. The region has a significant seasonal tourism industry, and is located within a 2-hour drive of several major cities. Small county-based rural transit systems had been in operation since the 1980s. Discussions about forming a regional transit agency began in 1998, when it became clear that the region would qualify as a small urbanized area during the 2000 Census. Further, the Maryland Transit Administration adopted a policy that encouraged small transit authorities to consolidate, in order to reduce the number of agencies it needed to oversee and to reduce overhead costs.

In 2001, a non-profit organization called the Shore Transit Association was formed to promote transit interests in the region. This organization served as a focal point for discussion amongst the transit providers and local governments.

Meanwhile, the Maryland Legislature created the TCC in 2001. The TCC is a unit of government that focuses on regional planning and program administration. It is overseen by a governing board composed of elected officials from three counties, municipalities, and state legislators. Examples of non-transportation

work include acting as an economic development district and administering workforce development programs.

Today, the TCC serves as the area's transit operator. The TCC took on an additional role as the host agency for the MPO after the area was declared an urbanized area in 2002. After Urbanized Area Formula funding was made available in 2004, the TCC was selected by the Shore Transit Association to be the operator of transit services throughout the region. A 15-member Transit Advisory Committee meets every other month. Committee membership includes county transit advocates, consumer advocates, education, and the private sector—but no professional staff or elected officials. Elected officials serve on the TCC Governing Board, which is the final authority in all decisions.²⁹

Consolidating the three rural transit agencies took more than a year, but the transition was relatively smooth. One key to the transition was educating policymakers, workers, and residents that the consolidation had major benefits, including:

- Reduced overhead costs due to fewer management positions;
- Lower burden on elected officials to oversee;
- Better linkages to multimodal transportation planning through the MPO;
- Regional accessibility by transit, due to route integration; and
- Uniform fare structures, fleet types, and service times.

A key feature of the agreement between the Shore Transit Association and the TCC was that no public employees would lose their jobs in the transition. Some people would have shifting job requirements, but none would be let go. Joining with TCC also allowed Shore Transit staff to access the state retirement system. Further, TCC assumed responsibility for payroll, leave administration, and other human resources functions. Pooling funds from TCC, Shore Transit, and the MPO created economies of scale when securing leases for office space, hiring shared employees (reception, IT, office management), building websites, and paying utilities.

²⁹There is also an MPO Council, which is composed of elected officials from within the urban area only. The MPO Council has no jurisdiction over Shore Transit, although the MPO Transportation Improvement Program (TIP) is a key document in the process of obtaining federal funding. TCC has representation on the MPO Council and the MPO Technical Advisory Committee (TAC).

Service

Shore Transit's fixed-route service provided 5.5 trips per revenue hour in 2012, carrying 301,189 riders annually. Shore Transit has ten routes. Four routes focus on travel within the City of Salisbury between the hours of 7:00 a.m. and 7:00 p.m. Two routes run north-to-south and share a substantial number of stops. Each route runs about every 2 hours, but schedules are staggered so that the core of the route receives hourly service. A pair of east-west routes offers similar service.

Shore Transit's route system includes six long-distance regional routes. These regional routes cover up to 120 miles in road distance and up to 4 hours of total travel time, and serve land area that is both urban and rural in character. The regional routes offer limited stops outside of population centers, and certain stops require "call ahead" service, for which riders must alert Shore Transit of their need for pickup at least 2 hours in advance. Three regional routes originate in Salisbury. Two more regional routes emanate from Ocean City, and one originates from the City of Princess Anne (where a University of Maryland branch campus is located). Service on regional routes is offered between six and nine times per day.

Ocean City is a major focal point for transit service, especially during tourist season (May–October). During peak season, people working in tourist areas are reliant on transit service. Up to 80% of the ridership on routes operating in Ocean City is attributable to the peak tourist season. Boardings in rural areas account for about half of the trips taken on Shore Transit.

One-way fare on fixed-route buses is \$3. Children up to 42 inches tall ride for free. Shore Transit attempts to encourage ridership by promoting low-cost transit passes. One-week unlimited-ride passes cost \$25. Demand-response service is offered through a fleet of sedans, minivans, and small cutaway vehicles. In 2012, this service provided 112,853 annual rides at a cost of \$1,265,000.

Funding

Transit services are available in 85% of the land area of the TCC region. The service area of Shore Transit did not change significantly after the arrival of Urbanized Formula funding. Service is provided outside of the urban area through Section 5311 Other Than Urbanized Area Formula funding (known as Formula Grants for Rural Areas in MAP-21), which

is an important contributor to Shore Transit's budget. The purpose of these funds is to support service to non-urbanized areas.

Shore Transit's fixed-route service had a budget of \$808,659. Funding for Shore Transit comes from a variety of sources. Fares account for 22% of Shore Transit's annual budget. Urban Formula funds cover around 60% of operating costs. Rural Formula funds pay for 18% of total operating costs. The State of Maryland contributes the local match necessary to obtain federal assistance. An innovative income source comes from Shore Transit sales staff acting as ticket agents for Greyhound intercity buses, earning the agency about \$26,000 per year.

Best Practices and Lessons Learned for New Transit Agencies

- When shifting organizational structures, it is critical to educate employees about the changes that are coming, and where possible, offer assurances of continued employment.
- Submitting information to the NTD can be a difficult issue for new agencies. The type of information collected may need to be adjusted to fit the NTD requirements.
- Designating a single point person—and then sending them for training—is key to handling the requirements of NTD reporting. A team to support the point person can also be helpful.
- When building a vehicle fleet, make every effort to purchase only one type of vehicle whenever feasible. This significantly reduces vehicle maintenance costs and allows operators to become comfortable with one type of vehicle. Shore Transit inherited three different bus types from the three rural transit operators that formed the agency.

CASE STUDY #2: MOUNTAIN LINE



Transit Agency: Mountain Line

Urban Area: Flagstaff, Arizona

Operating Agency: Northern Arizona Intergovernmental Public Transportation Authority

Website: <http://www.mountainline.az.gov/>

Agency Snapshot

Annual Budget	\$6.4 million
Annual Ridership	1.7 million
Year Established	2006
Fleet Size	22 buses
Number of Routes	7
Number of Operators	56
Number of Other Employees	16
Paratransit Service	Yes
Farebox Recovery Rate	19%

Mountain Line operates in the urban area of Flagstaff, Arizona. It is a subsidiary of the Northern Arizona Intergovernmental Public Transportation Authority (NAIPTA), a state-chartered regional agency. It offers seven routes that operate on a pulse schedule from a transfer station in downtown Flagstaff. Transit service has been offered for several decades in the region, but has expanded dramatically since 2006. Local taxation initiatives—along with 5307 Urbanized Area Formula Grant funding—have provided a significant boost to the funding available to the agency. Local champions have built partnerships and advocated for the transit agency throughout its expansion.

History and Governance

Transit service in the area dates to 1984, when the City of Flagstaff offered a small system of rural transit on contract with Coconino County. The original system was funded through FTA's Section 5311 Other Than Urbanized Area Formula program (known as Formula Grants for Rural Areas in MAP-21). Based on growth projections, the Flagstaff region was categorized by the state DOT as eligible for Section 5307 Urbanized Area Formula Grants funding in 1997 and was transitioned from Section 5311 to Section 5307 Small Urban funding over the next few years.

In 1998, Flagstaff and six other local governments adopted a 20-year LRTP (MPO plan) dubbed Vision 2020. A 5-year transit plan was adopted in 1999. In 2000, voters in the area approved a transit tax referendum. This gave the region a chance to reshape transit service. In 2001, the City of Flagstaff renewed its contract with Coconino County and branded the service Mountain Line. Over the ensuing years, new partnerships were formed with smaller cities in the region, along with Northern Arizona University. As service improved—and more entities began par-

ticipating in Mountain Line—leaders recognized a need for a regional entity to serve as a focal point for funding and providing service. A regional transit agency would relieve local governments of liability, offer collective political clout, and bring economies of scale to purchases and staffing.

As a result, NAIPTA was formed. NAIPTA provides the platform for an intergovernmental agreement between Coconino County, Yavapai County, the City of Flagstaff, and Northern Arizona University to offer transit services. The concept of creating NAIPTA was requested by local political and transportation leaders, who gathered letters of support and drafted sample state enabling legislation. This bottom-up process took 2 years, culminating in the passage of a charter during the 2003 legislative session.

The charter allows NAIPTA to operate as a political subdivision of the State of Arizona, with separate legal standing. Composition of the NAIPTA Board of Directors was set by the charter, and today includes seven members: (a) one member of the board of supervisors from each county; (b) two members of the Flagstaff City Council; (c) one member representing the small cities in the region; and (d) one member appointed by the president of Northern Arizona University. All members (except the university representative) are elected officials, but the elected officials can designate the duty to someone else. The NAIPTA Board has official alternates for each seat that receive all communications, attend most board meetings, and can vote in the absence of the regular board member.

After NAIPTA was chartered, member local governments negotiated and signed a master intergovernmental agreement that outlines the roles and responsibilities of each member. The agreement was approved, and the organization began independent operations in 2006. The agreement promotes a comprehensive and integrated regional transit system. The intergovernmental agreement established:

- The goals of the agency, boundaries for service, liability insurance guidelines, and a framework for purchasing/contracting.
- Membership fees and budget rules. Each member must maintain an on-hand balance of three months of contributions to NAIPTA. This helps ensure financial solvency.
- Rules for changes in membership and dissolution of the agency.
- Responsibilities of member local governments.
- A transit advisory committee with representatives from local governments and members-

at-large. This group helped oversee an initial survey of transit needs in the region.

- A citizens' advisory committee.
- A framework for cost sharing between local governments.
- The distribution and types of transit service in each jurisdiction.

Service

Mountain Line has six routes that operate on hourly frequencies. Most routes increase to 30-minute frequencies during weekday peak periods. Operating hours are 6:00 a.m. to 9:00 p.m. on weekdays, and 7:00 a.m. to 8:00 p.m. on weekends. All routes converge at a transfer center in downtown Flagstaff, and schedules are based on a pulse system that allows time for transfers.

One route offers bus rapid transit service with frequencies as short as 10 to 15 minutes. Dubbed Mountain Link, this limited-stop service connects the downtown transfer center with a large residential suburb. The key to the high level of service on this route is a partnership with Northern Arizona University, which is serviced by 12 of the route's stations. Northern Arizona University contributes approximately \$475,000 a year to provide expanded service on the route. Mountain Link helps expand access to and from the university while serving a second purpose as the core of the campus circulator bus system.

Regular fares on all routes are \$1.25 per ride, discounted to \$0.60 for youth and senior riders. Free transfers are not allowed; however, an unlimited-ride daily pass is available for \$2.50. Monthly passes cost \$34 (\$17 for youth/seniors). University students can purchase a yearly pass for \$238—about \$20 per month.

The Flagstaff region has demonstrated demand for transit service. Exhibit 7 shows the ridership trends on Mountain Line. Ridership has nearly doubled since 2008, and in 2012 ridership averaged 4,817 rides per day. This is due in large part to increases in the amount of service being provided. New taxes and funding partners have allowed revenue hours to increase by 30% over the same period. New routes have been offered, most routes are operating for longer hours, and many have higher frequencies. However, not all of the increase can be attributed to more revenue hours. Ridership rose 8% in 2011 despite revenue hours remaining relatively consistent.

Software management tools are important to NAIPTA's operations and are supported by two IT

Exhibit 7 Mountain Line ridership trends.

Fiscal Year	Passengers	Revenue Hours	Passengers per Revenue Hour
2008	899,201	36,664	24.53
2009	1,033,500	43,752	23.62
2010	1,115,254	46,432	24.02
2011	1,205,629	47,801	25.22
2012	1,748,333	56,629	30.87

professionals. A fleet management system tracks maintenance and service time of vehicles. A financial management system tracks cash flow, which is important given the number of funding partners and streams that support NAIPTA. Both the financial management and fleet management software generate information useful for NTD reporting. NAIPTA has recently established an interactive website built on Google Transit. The website and smartphone applications offer riders real-time arrival and bus tracking provided by TransLoc.

NAIPTA also offers paratransit services through the Mountain Lift program. Eight paratransit vans provide service within $\frac{3}{4}$ mile of Mountain Line bus stops for people who cannot use the standard bus service. A total of 27,446 trips were provided in 2011 at just under three trips per revenue hour. Fares are \$2.25 per trip. A taxi voucher program gave 3,459 rides to paratransit-eligible people. NAIPTA has calculated that each taxi voucher trip saves the agency about \$20 per trip. Paratransit is administered through the Trapeze software platform.

Funding

Today, Mountain Line is a recipient of FTA Section 5307 Urbanized Area Formula Grants. However, Section 5307 dollars are only a small component of the overall funding that supports NAIPTA and Mountain Line, representing about 13.5% of the total budget. Local option transit taxes approved in 2000 and 2008 generate about 54% of the agency's annual funding. Farebox revenues cover 19% of the operating annual budget. Northern Arizona University, the City of Sedona, the City of Cottonwood, the Town of Clarkdale, Yavapai County, and Coconino County all contribute local funds to support routes that serve their jurisdictions. The remainder of the budget is supported by a mixture of sources, including funds from the Arizona DOT. NAIPTA has not borrowed money in the past, but it does maintain a line of credit with a financial institution as a backup if needed.

NAIPTA successfully petitioned the Governor of Arizona to become a direct recipient of FTA funding. This allows NAIPTA to contract directly with the FTA's Region 9 Office to make funding decisions and transactions. However, becoming a direct recipient requires NAIPTA to fulfill a number of obligations. The most visible difference is a higher level of financial sophistication, including operation of financial management systems, adoption of contracting policies, auditing requirements, and a triennial review by FTA. Designated recipients also take the lead on enforcement of laws like Title VI of the Civil Rights Act and the ADA. Reporting agency statistics to the NTD also is required of designated recipients.

Best Practices and Lessons Learned for New Transit Agencies

- Ensure a strong local funding base. It is never too early to consider local sources of funding, such as local option taxes or partnerships with a university.
- Do not neglect relationship building. Take the time to keep partners engaged and on message.
- Think of the agency's potential partners in concentric circles. Start by building a core group of committed partners, then move beyond to stakeholders who have an interest in the core group. Proceed outward until the agency has a strong coalition.
- Find champions for the agency. Finding at least one elected official and one appointed official helps bolster the agency's cause within political circles and career service administrative circles.
- Good legal counsel is important. Recognize that in-house counsel may not be familiar with transit issues, so specialized outside counsel may be needed. Further, local government counsel has a responsibility to protect the interests of their client, which may or may not be the same interests as the current or future transit agency.

CASE STUDY #3: JEFFTRAN



Transit Agency: JEFFTRAN
Urban Area: Jefferson City, Missouri
Operating Agency: City of Jefferson City
Website: <http://www.jeffcitymo.org/transit/>

Agency Snapshot

Annual Budget	\$2.2 million
Annual Ridership	345,000
Year Established	1976
Fleet Size	22 buses
Number of Routes	6
Number of Operators	19
Number of Other Employees	16
Paratransit Service	Yes
Farebox Recovery Rate	15% fixed-route; 5% paratransit

Transit was introduced to Jefferson City, Missouri, in the early 20th century and run by private entities for several decades. In 1976, the city government assumed responsibility for the local transit system. In 2003, Jefferson City was reclassified as an urbanized area as a result of the 2000 Census. Today, JEFFTRAN provides urban transit service that includes fixed-route and paratransit.

History and Governance

Jefferson City is the capital of Missouri, and the state government is the primary driver of the local economy as the city’s largest employer. In 2009, the state government had more than 18,000 employees in Jefferson City; the city’s next largest employer had 1,500 employees.³⁰ JEFFTRAN primarily serves state employees commuting to and from work. The city has a long transit history dating back to 1912. The city was first served by a streetcar line and buses run by private operators. In 1966, facing the loss of transit when the local bus company went out of business, the city assumed responsibility for providing the service. For the next decade, a special-purpose

³⁰Jefferson City, Missouri (2009). Comprehensive Annual Financial Report, available at: <http://www.jeffcitymo.org/finance/documents/2009CityofJeffersonMOCAFR.pdf>.

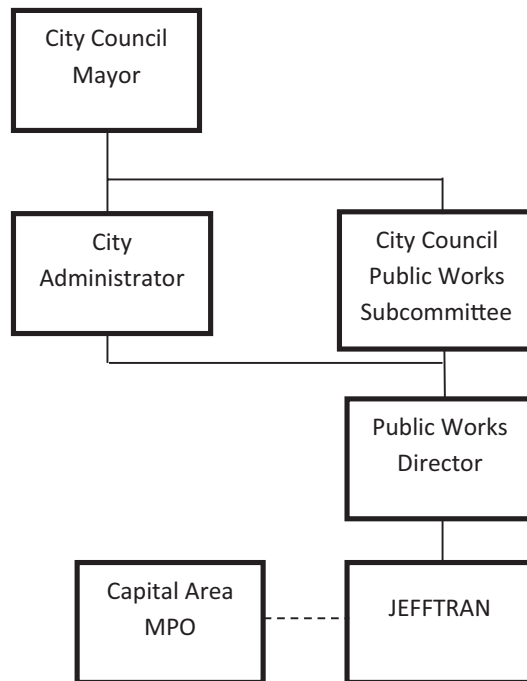
transit authority was created to oversee the expansion of bus service, but it was disbanded in 1976 in favor of a municipally owned system. When Jefferson City became an urbanized area in 2003, the type of funding available to the transit system changed significantly.

JEFFTRAN is operated by the Transit Division of the city’s Public Works Department. The Transit Division Director oversees JEFFTRAN operations and reports to the Director of Public Works, who in turn reports to the City Administrator, who in turn reports to the Mayor and City Council. The Public Works and Planning Committee, a subcommittee of the City Council, has decision-making authority over JEFFTRAN. A flow chart of JEFFTRAN’s place in the Jefferson City organizational structure is shown in Exhibit 8.

Long-term transit planning is conducted by the MPO—which was formed when Jefferson City was declared an urbanized area. JEFFTRAN takes an active role in the planning process. The Transit Division Director serves on the MPO’s Technical Committee. The City of Jefferson City provides administrative functions like financial management, human resources, legal representation, and information technology for JEFFTRAN, as it is a division of the city’s Public Works Department.

With the transition to an urban transit agency, the city’s Finance Department changed its accounting procedures to comply with NTD reporting requirements.

Exhibit 8 JEFFTRAN organizational chart.



Implementing these new procedures proved challenging initially; staff were reluctant to adopt the necessary changes and did not understand the critical importance of compliance to receive federal funding. These issues were addressed in the agency's first triennial review with the FTA.

Service

The service area did not change significantly in 2003, though two routes have since been consolidated into one. JEFFTRAN has six fixed routes, extending from downtown to surrounding neighborhoods, and also operates a paratransit service called Handi Wheels. The current fixed routes—drawn more than 20 years ago—were primarily designed to carry state workers between their homes and jobs. The hours of operation mimic the commuting patterns of state workers. JEFFTRAN operates Monday through Friday, from 6:40 a.m. to 5:45 p.m. The headway on all six routes is 40 minutes—less frequent than before, when buses ran 30 minutes apart. This change was made to improve on-time performance. The annual ridership on fixed routes in 2012 was 345,000. In peak hours during the school year, additional buses (called Trippers) operate on a few of the existing routes to add capacity on a semi-scheduled basis.

Handi Wheels provides curb-to-curb service anywhere within the city limits for riders who cannot travel to or from a fixed-route bus stop or board/disembark a fixed-route bus because of a disability. Riders must be pre-approved to use the Handi Wheels service. The paratransit service also operates Monday through Friday, except for observed holidays, between 7:00 a.m. and 5:30 p.m. Handi Wheels' annual ridership is about 52,000.

Information about JEFFTRAN hours of operation, schedules, fares, and routes is available online. Riders also can access real-time bus locations online using the Automatic Vehicle Locator, and riders can provide feedback on JEFFTRAN service through an online comment form.

Since 2003, when JEFFTRAN started receiving Urbanized Area Formula funding, fixed-route ridership has decreased modestly. This is largely due to state budget cuts, which occurred around the same time. State cuts eliminated funds for JEFFTRAN to provide shuttle routes between state parking lots and state office buildings. Despite the decline in fixed-route ridership, Handi Wheels ridership has grown, due to an aging population that is increasingly dependent on paratransit.

The one-way fare on fixed-route buses is \$1.00, and the fare is \$0.50 for riders over the age of 60, persons with disabilities, and Medicare card holders. Children under the age of 6 years ride for free. Discounted 20-ride passes are available for regular riders and students. Paratransit fare is \$2.00 per ride.

Over the years, JEFFTRAN's buses have transitioned from a wide assortment of vehicles to a uniform fleet. Now, the fixed-route buses are the same make of heavy-duty transit coaches; likewise, the paratransit fleet is composed solely of cutaway vehicles. The JEFFTRAN staff found that heavy-duty coaches better handle the frequent stops of a fixed-route service, are more comfortable for passengers, and can operate for 17 to 18 years if the vehicles are well maintained.

Funding

The JEFFTRAN operating budget is \$2.2 million. The city provides \$900,000 and \$1.3 million is brought in from additional sources, primarily Section 5307 funds directly from FTA. Farebox recovery for the fixed routes is approximately 12%, and 5% for paratransit (20%, if accounting for Medicaid Waiver and non-emergency medical transportation).

JEFFTRAN received its first Urbanized Area Formula funding in 2003. Prior to that, the Missouri DOT supplemented city funds. With the arrival of more federal aid, state funds were cut, effectively keeping the budget about the same. JEFFTRAN has begun trials for selling advertising to generate additional revenue.

State support for JEFFTRAN goes beyond funding. The Missouri DOT has performed a variety of tasks for JEFFTRAN, such as preparing and selecting bids to acquire new buses. The Missouri DOT has also provided operations support in the past. With the transition away from state DOT to federal funds, JEFFTRAN became responsible for these tasks that the Missouri DOT had previously assumed. JEFFTRAN credits the FTA Region 7 Office with helping the agency navigate this change, offering technical assistance and training on a range of topics, including purchasing, lobbying, Title VI, public comment, NTD reporting, and so forth. The JEFFTRAN Division Director and an administrator from City Hall attended workshops and then trained JEFFTRAN employees and other relevant city staff.

For JEFFTRAN, receiving Urbanized Area Formula funding has resulted in a considerable amount of additional work for about the same amount of money. In fact, though the capital funds available fluctuate from year to year, there has actually been

less money for operating funds available through Section 5307 than from the Missouri DOT. Meeting the requirements for federal funding programs has been JEFFTRAN's biggest challenge since being declared an urban area.

Best Practices and Lessons Learned for New Transit Agencies

- Educating staff about federal funding applications and reporting is important. These are complex procedures, and it is advisable to gather as much information as possible. Read the *Triennial Review Program Workbook*, and take advantage of the resources provided by FTA.
- Getting administrative staff on board is critical. Create buy-in by sending them to workshops and trainings about federal funding requirements and procedures.
- Partnering with larger transit agencies allows an agency to take advantage of economies of scale. For instance, JEFFTRAN entered into a piggy-back agreement with Nashville's Metropolitan Transit Authority bid to acquire new buses. Under this agreement, Nashville's and Jefferson City's buses were purchased with the same solicitation. This arrangement facilitated a lower purchase price for each bus. The agreement was also helpful because JEFFTRAN did not have purchasing expertise on staff at that time.
- Engaging in peer exchanges is a great way to seek advice and learn from the experiences of others. Participation in professional organizations and networking with peers at other transit agencies is very helpful.

CONCLUSION

Transit professionals in new urban areas have a special opportunity to shape the future of transportation in the community. There are clear opportunities to improve mobility for the residents in newly designated urban areas, using federal transit funding not previously available. At the same time, localities should be deliberate in proactively establishing the necessary institutional, financial, administrative, planning, and operational frameworks before making the commitments needed to receive federal urban transit and related grant funds.

The purpose of this digest is to provide a handbook-style reference to regions that have been or are expected to be designated as new urban areas.

This will assist these areas in taking advantage of the new federal transit funding availability—and fully understanding the new requirements and expectations that come along with that funding. Many other resources beyond this digest are available for new urban areas. Other resources available include (but are not limited to):

- Other NCHRP and TCRP publications;
- Staff from FTA Region and Headquarters Offices;
- Staff from the state DOT;
- Peer agencies and localities that are currently offering urban transit service; and
- Industry associations such as APTA and the CTAA. State-level chapters of these organizations may be helpful when trying to understand local needs.

Federal requirements are always evolving—whether through new legislation, rule-making, or simple evolution of standards of practice. It is critical to stay current, to ensure that the agency meets or exceeds expectations. Localities and agencies are advised to become as well-informed as possible, as early as feasible, to preclude missed funding opportunities *and* avoid costly mistakes that could jeopardize the continuance of that funding. The community of transit professionals is transparent, equitable, and ready to offer help if needed.

APPENDIX A: ANNOTATED LIST OF RESOURCES

This compiled list of available resources can assist newly urbanized areas in understanding both their new opportunities and new obligations. A web address (url) is provided for each resource, along with a brief description of the material the resource contains.

New Grantee Handbooks

The FTA and its regional offices have created some one-stop resources for new grantees. These documents are particularly helpful for brand new operators of transit, but are also useful for operators converting from rural to urban service. FTA Headquarters published a handbook that outlines the five-step process for new recipients of federal funds: http://www.fta.dot.gov/documents/New_Grantee_Handbook_Update_March_2011_FINAL.pdf

FTA Region 4 (KY, TN, NC, SC, GA, AL, MS, FL, and PR) assembled several documents related

to the FTA Headquarters handbook. This webpage includes more discussion on topic areas covered in the triennial review: http://www.fta.dot.gov/region4_7507.html

National Transit Database

Urban transit service providers and designated recipients are required to collect information for the NTD. The *NTD Annual Reporting Manual* can be found here: http://www.ntdprogram.gov/ntdprogram/pubs/ARM/2012/html/2012_Reporting_Manual_Table_of_Contents.html

The NTD Monthly Reporting Manual can be found here: <http://www.ntdprogram.gov/ntdprogram/pubs/MonthlyRidership/2013/2013%20MR%20Reporting%20Manual.pdf>

For transit agencies with 30 or fewer buses, the Small Systems Waiver Reporting Manual may be found here: http://www.ntdprogram.gov/ntdprogram/pubs/SmallSystems/2012/html/2012_SSW_Reporting_Manual_Table_of_Contents.html

Census Bureau Urban Area Information

Urban Area Classification definitions and information can be found here: <http://www.census.gov/geo/reference/ua/urban-rural-2010.html>

Urban Areas and MPOs. The FHWA has prepared several materials to describe the formation of urban areas and the resulting designation of an MPO. Although there are many differences, this is a useful resource for understanding the relationship between urban areas and transportation: http://www.fhwa.dot.gov/planning/census_issues/urbanized_areas_and_mpo_tma/

A frequently asked question list can be found here: https://www.fhwa.dot.gov/planning/census_issues/urbanized_areas_and_mpo_tma/faq/mpotmafaq.pdf

FTA Factsheets

FTA produces summary fact sheets on its grant programs. These fact sheets present legislation in plain language, and compare the current program to previous iterations. The factsheets include an overview of the purpose, background, program requirements, and funding information. With the passage of MAP-21, fact sheets have been updated to reflect that legislation. A full set of program fact sheets can be found here: <http://www.fta.dot.gov/map21/>

Fact sheets related to urban transit include:

- Urbanized Area Formula Grants (Section 5307 and Section 5340) are the most important type of grant to understand for new urban areas. There are significant requirements attached to receiving 5307 funds. A summary of this program can be found here: http://www.fta.dot.gov/documents/MAP-21_Fact_Sheet_-_Urbanized_Area_Formula_Grants.pdf
- Metropolitan & Statewide and Nonmetropolitan Transportation Planning Grants (Sections 5303, 5304, 5305 respectively) provide funding for transit planning. These funds can be spent by the state or MPO, although some transit operators receive these funds on a pass-through basis. A summary of this program can be found here: http://www.fta.dot.gov/documents/MAP-21_Fact_Sheet_-_Metropolitan_and_Statewide_and_Nonmetropolitan_Transportation_Planning.pdf
- Transit Asset Management (Section 5326) http://www.fta.dot.gov/documents/MAP-21_Fact_Sheet_-_Transit_Asset_Management.pdf
- Transit Safety and Oversight (Section 5329) http://www.fta.dot.gov/documents/MAP-21_Fact_Sheet_-_Transit_Safety_and_Oversight.pdf
- Enhanced Mobility of Seniors and Individuals with Disabilities (Section 5310) http://www.fta.dot.gov/documents/MAP-21_Fact_Sheet_-_Enhanced_Mobility_of_Seniors_and_Individuals_with_Disabilities.pdf

Federal Legislation and Regulations

Federal legislation creates programs and appropriates funding for their implementation. MAP-21 made several changes to federal transit policy. A consolidated set of transit-related provisions (from Chapter 49 of the United States Code) can be found here: <http://www.fta.dot.gov/documents/chap53MAP21.pdf>

Additional information can be found in 23USC§134 (Metropolitan Transportation Planning) and 23USC§135 (Statewide Transportation Planning).

Congress delegates authority to implement statute to the U.S. DOT and the FTA. Part of this implementation role is to create regulations (also known as “rules”); these rules are contained in

the Code of Federal Regulations (CFR). In general, the code is more detailed than statute. A full set of regulations issued by the FTA can be found here: http://www.fta.dot.gov/legislation_law/12316_808.html

Some pertinent regulations important to small urban transit operators include:

- 49CFR 601 – Organization, Functions and Procedures
- 49CFR 613 – Planning Assistance and Standards
- 49CFR 622 – Environmental Impact and Related Procedures
- 49CFR 630 – Uniform System of Accounts and Records and Reporting System
- 49CFR 633 – Project Management Oversight
- 49CFR 659 – Prevention of Alcohol Misuse and Prohibited Drug Use in Transit Operations
- 49CFR 661 – Buy America
- 49CFR 663 – Pre-award and Post-delivery Audits of Rolling Stock Purchases

FTA Circulars and Other Documents Discussing Required Activities

FTA circulars provide grantees with direction on program requirements. Circulars bring together statute, administrative code, guidance, and internal FTA processes into one document. By adhering to the process and requirements in a circular, a transit funding recipient and/or operator will be meeting the requirements and expectations of FTA. A full set of circulars can be found here: http://www.fta.dot.gov/legislation_law/12349.html

Specific circulars important to new operators are discussed below. Certain circulars are important only to direct recipients, such as Financial Capacity and Procurement.

- FTA Triennial Review Program Workbook: http://www.fta.dot.gov/documents/FY2012_On-line_TR_Workshop_Workbook_Rev1.pdf
- Title VI of the Civil Rights Act of 1964 discusses processes that transit operators must put in place to ensure that programs do not discriminate against people based on race, color, or national origin: <http://www.fta.dot.gov/civilrights/12328.html>
- Urbanized Area Formula Program: Program Guidance and Application Instructions: http://www.fta.dot.gov/legislation_law/12349_11492.html

www.fta.dot.gov/legislation_law/12349_11492.html

- Program Guidance for Metropolitan Planning and State Planning and Research Program Grants: http://www.fta.dot.gov/legislation_law/12349_8454.html
- Disadvantaged Business Enterprises (DBE): <http://www.fta.dot.gov/civilrights/12326.html>

The Planning Process

Transit at the Table II is a research and best practices document that discusses transit operator involvement in the MPO process. It provides insights on how to advance transit projects through the process: <http://www.planning.dot.gov/documents/TransPlanning/TransTableII.htm>

Policy on Public Involvement Process. FTA (jointly with FHWA) encourages active public engagement in every phase of the transit planning process. The agency provides resources on public involvement in transportation decision-making: <http://www.fta.dot.gov/15589.html>

APPENDIX B: NEW URBANIZED AREAS FOR THE 2010 CENSUS

Source: U.S. Census Bureau, Geography Division

Albany, OR
 Arroyo Grande-Grover Beach, CA
 Beckley, WV
 Bloomsburg-Berwick, PA
 Cape Girardeau, MO-IL
 Carbondale, IL
 Cartersville, GA
 Casa Grande, AZ
 Chambersburg, PA
 Conway, AR
 Daphne-Fairhope, AL
 Delano, CA
 East Stroudsburg, PA-NJ
 Grand Island, NE
 Grants Pass, OR
 Hammond, LA
 Hanover, PA
 Hilton Head Island, SC
 Homosassa Springs-Beverly Hills-Citrus Springs, FL
 Kahului, HI

Lake Havasu City, AZ
Lexington Park-California-Chesapeake Ranch
Estates, MD
Los Lunas, NM
Manhattan, KS
Mankato, MN
Midland, MI
New Bern, NC
San Marcos, TX
Sebring-Avon Park, FL
Sierra Vista, AZ
Staunton-Waynesboro, VA
Walla Walla, WA-OR
Watertown, NY
West Bend, WI
Williamsburg, VA
Woodland, CA

APPENDIX C: CHECKLIST FOR URBAN AREAS CONVERTING FROM RURAL TO URBAN TRANSIT SERVICE

Exhibit 6 in this digest presents a checklist of suggested start-up steps for agencies that are offering transit service for the first time. However, not all urban service providers are starting service from scratch. Many regions have offered fixed-route rural service prior to being designated an urban area. Since transit has already been in operation in those regions, many of the steps shown earlier in the document are not needed. The checklist presented in Appendix C is intended for operators that are converting from rural to urban transit service. All steps in the checklist for transit operators converting from rural to urban systems also apply to first-time transit operators and, as such, are also contained in Exhibit 6.

Checklist for Transit Operators Converting from Rural to Urban Systems

Agency Governance and Organization		Estimated Timeline
Governance and Ownership of the Transit Operator		
<input type="checkbox"/>	[If necessary] [For operators not owned by local governments] Enter into interlocal agreements with governments in the transit service area. Interlocal agreements should describe the governance structure of the operator, cost sharing, and responsibilities of all parties.	Within 6 months of designation as a UA
<input type="checkbox"/>	Revisit the composition of the governing board of the transit operator.	Within 6 months of designation as a UA
<input type="checkbox"/>	Consider establishment of technical advisory and citizens' advisory committees and revisit composition of committees' membership.	Before service begins
<input type="checkbox"/>	Hold regular business meetings of the governing board and advisory committees.	Ongoing
Transit Administration		
<input type="checkbox"/>	[If needed] Draft and adopt an employee handbook.	Within 1 month of hiring staff
<input type="checkbox"/>	Together with the state DOT, determine whether to apply for direct recipient status.	At any time
<input type="checkbox"/>	Estimate federal, state, and local resources to support transit funding.	Within 6 months
<input type="checkbox"/>	Determine desired service types, routes, and frequencies.	Within 6 months
Working with the MPO		
<input type="checkbox"/>	Participate in the establishment of the MPO. Establish formal avenues for transit participation in the MPO governance and planning process. Participation can be a voting seat on the governing board of the MPO, a non-voting seat on the governing board, or formation of a transit advisory committee.	Concurrent with the establishment of the operator
<input type="checkbox"/>	Regularly attend MPO governing board and technical advisory committee meetings.	Ongoing
<input type="checkbox"/>	Work with MPO professional staff to identify transit vision and needs for the region.	Ongoing
<input type="checkbox"/>	Transmit a list of needs for consideration in the MPO's LRTP.	Within 18 months; Every 4-5 years thereafter
<input type="checkbox"/>	Work with the MPO to include transit projects in the short-range TIP.	Within 18 months; Repeat on a regular schedule

(continued on next page)

Checklist (Continued)

Agency Governance and Organization, continued		Estimated Timeline
Working with the State DOT		
<input type="checkbox"/>	Maintain relationships with state DOT offices overseeing transit grants, long-range planning, and creation of the STIP. Formal liaison relationships may smooth this process.	Ongoing
<input type="checkbox"/>	Work with the state to craft a vision for transit across the state.	Ongoing
<input type="checkbox"/>	Work with the state to obtain a share of federal Section 5307 funding that is necessary and appropriate for the region.	Annual
Working with the FTA		
<input type="checkbox"/>	Establish relationships with FTA Region office staff responsible for overseeing urban transit programs.	Ongoing
<input type="checkbox"/>	Obtain copies of the most recent federal circulars and guidance.	As soon as possible
Triennial Review Areas		Estimated Timeline
Title VI/Civil Rights/Environmental Justice		
<input type="checkbox"/>	Document complaints, lawsuits, and investigations, and submit a report to the FTA Civil Rights Officer.	Every 3 years
Purchasing and Contracting		
<input type="checkbox"/>	Develop and adopt written standards of conduct for procurement of goods and services. Standards should include evaluation of contractor capacity, ethical guidelines, termination processes, and auditing of contractors.	Before first procurement
<input type="checkbox"/>	Self-certification of the transit operator's compliance with federal procurement and contract oversight processes.	Annually
<input type="checkbox"/>	Governing board adoption of a statement on meaningful involvement of DBEs in procurement.	Before first procurement
<input type="checkbox"/>	Establishment of DBE utilization goals and regular evaluation of progress.	Before first procurement; annually
<input type="checkbox"/>	Adopt a statement of agency policy to comply with Buy America requirements.	Before first procurement
Public Involvement and Fare Setting		
<input type="checkbox"/>	Governing board adoption of a comment process for service and fare changes.	Before service planning begins
<input type="checkbox"/>	Create public engagement procedures to ensure meaningful involvement of the public, including the traditionally underserved.	Before service planning begins
<input type="checkbox"/>	Offer reduced fares for the elderly and persons with disabilities on fixed-route service. Fares cannot be more than half of the regular fare.	Before service begins
<input type="checkbox"/>	Participate in the development of the MPO's Public Participation Plan.	18 months from MPO establishment

Triennial Review Areas, continued		Estimated Timeline
Legal and Financial Support for Transit Operation		
<input type="checkbox"/>	Secure legal counsel and negotiate contracts.	At organizational meeting
<input type="checkbox"/>	Retain a third-party auditor.	Within 1 year
<input type="checkbox"/>	Governing board adopts a written policy statement prohibiting lobbying activities using federal funds. The policy should extend to subgrantees and contractors.	At organizational meeting
<input type="checkbox"/>	Adopt financial management procedures.	At organizational meeting
National Transit Database Reporting		
<input type="checkbox"/>	[For operators with less than 30 vehicles] Apply for a Small Systems Reporting Waiver.	Before service begins
<input type="checkbox"/>	Set up a data collection system that conforms to NTD reporting requirements.	Before service begins
<input type="checkbox"/>	Designate a staff member as the NTD reporting coordinator.	Before service begins
<input type="checkbox"/>	Make reports to NTD.	Annually



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